Ministry of Innovation and Science

Annual Report

2001 – 2002

Ministry of Innovation and Science

Department of Innovation and Science

Alberta Science and Research Authority (ASRA)

Alberta Research Council Inc.

iCORE (Alberta Informatics Circle of Research Excellence) Inc.

Alberta Heritage Foundation for Medical Research

Alberta Foundation for Health Research

Alberta Heritage Foundation for Science and Engineering Research

Alberta
INNOVATION AND SCIENCE

Copies of this publication may be obtained from:
Policy Development and Coordination
Alberta Innovation and Science
9th Floor, 10365 – 97 Street
Edmonton, AB T5J 3W7
Phone: (780) 427-2649 (Toll-free in Alberta 310-0000)
is.inq@gov.ab.ca

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Preface

Public Accounts 2001 – 2002

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

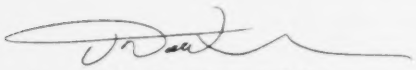
The annual report of the Government of Alberta released June 25, 2002 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Innovation and Science contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Innovation and Science and provincial agencies for which the Minister is responsible, and**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2002, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 13, 2002 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Hon. Victor Doerksen, F.C.G.A.
Minister of Innovation and Science

Message from the Minister

Alberta Innovation and Science is committed to strengthening the economy through investments in knowledge, from highly skilled people to high-tech infrastructure.

The ministry also strives to enrich the lives of Albertans through science, research and technology. This is being demonstrated through the implementation of the Information and Technology Management Strategy, helping government become a model user of technology while improving the delivery of government services.

The province is fortunate to have the Alberta Science and Research Authority (ASRA) — a group of government, industry, academic, and civic leaders — whose strategic advice is keeping the province competitive in the knowledge economy. Alberta's focus is strongly centered on energy research, information and communications technology, and the life sciences, which includes agriculture, the environment, forestry and human health.

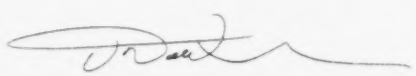
ASRA's unique structure is fostering valuable cooperation. Reporting agencies such as the Alberta Agricultural Research Institute, the Alberta Energy Research Institute, the Alberta Forestry Research Institute, the Alberta Research Council, and iCORE Inc., work closely with industry, post secondary institutions and the community. This opens up public and private partnership possibilities on municipal, provincial, national and international levels.

This year, the following achievements were realized due to strategic partnerships:

- Construction of Alberta SuperNet initiated, a province-wide broadband network
- A National Institute for Nanotechnology in Edmonton announced
- The Banff International Research Station for Mathematics announced
- The development of the Alberta Energy Research Strategy
- Establishment of the Alberta-California Venture Channel, pairing local high-tech firms and U.S. investors
- A signed Memorandum of Understanding with China to share priorities and research strengths
- Sun Centre of Excellence for E-Learning at the University of Alberta and a Sun Centre of Excellence for Visual Genomics at the University of Calgary
- The creation of the Agricultural Research Funding Consortium

The province continues to benefit from unique funding programs including the Alberta Ingenuity Fund, the Alberta Heritage Foundation for Medical Research, the Alberta Science and Research Investments Program, and iCORE grants, all of which continue to help the province attract, retain and grow the world's brightest minds.

This has been a year of embracing opportunity. We've witnessed tremendous progress resulting from our strategies, and I look forward to further successes due to our recent partnerships and planning. This government's commitment to research and technology development will ensure a prosperous future for Alberta.



Victor P. Doerksen, E.C.G.A.
Minister of Innovation and Science

Management's Responsibility for Reporting

The Ministry of Innovation and Science includes:

Department of Innovation and Science
Alberta Science and Research Authority
Alberta Research Council Inc.
iCORE Inc.

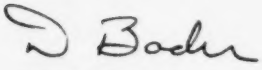
The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Innovation and Science. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- provide assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Innovation and Science any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.



Dan Bader, P. Eng.
Deputy Minister
Ministry of Innovation and Science
September 13, 2002

Overview

Our Core Businesses

1. Science, Research and Development

- providing strategic leadership for science and research in Alberta,
- managing and funding strategic investments in science and research,
- co-coordinating government funded science and research,
- promoting a science culture in Alberta,
- applying science and research to improve stewardship of our resources and environment,
- commercializing the results of research,
- developing the "knowledge industry" component of the Alberta economy, and
- increasing the application of technology throughout the economy.

2. Government Information & Communications Technology

- ensuring that the Government of Alberta is exemplary in the efficient and effective use of information and information and communications technology (ICT) in providing services to all Albertans,
- coordinating the effective use of computer technology, voice and data networks, and information systems within government,
- establishing cross ministry policies and standards for ICT to improve the efficiency and flexibility of government,
- identifying, facilitating and providing cross ministry solutions for ICT, and
- identifying and promoting best practices through cross ministry ICT initiatives.

Highlights — by Core Business

1. Science, Research and Development

- Established the National Institute for Nanotechnology in collaboration with the National Research Council and the University of Alberta.
- Developed an Alberta Energy Research Strategy in collaboration with industry, Alberta Energy, Alberta Environment, Alberta Economic Development, Alberta Sustainable Resource Development, the Alberta Research Council (ARC), and universities.
- Reached a Memorandum of Understanding between the governments of China and Alberta to facilitate the exchange of information and technology. The countries share priorities and research strengths concerning telecommunications, biotechnology, agriculture and energy.
- Announced the creation of the Banff International Research Station (BIRS) for Mathematical Innovation and Discovery in partnership with the U.S. National Science Foundation, the Natural Sciences and Engineering Research Council of Canada (NSERC) and the Government of Alberta, through the Alberta Science and Research Authority.
- Cooperated with Western Economic Diversification Canada and Alberta Economic Development to promote the co-developed E-Business InfoKit, which provides information for small and medium-sized businesses wanting to build an e-business presence and compete on the global scale.

- The Alberta Research Council performed research and development contract services for the private sector and other external customers totaling $40.2 million, which was $3 million more than the previous year. The Research Council also received $4.8 million in royalties, licensing fees and products sales from the commercialization of technology, which was $1.2 million more than the previous year.
- The Alberta Research Council created an Integrated Resource Management Division to support a more coordinated approach to the important environmental issues facing Albertans and Alberta's primary resource industries, drawing on ARC's existing applied research capabilities in air monitoring, water treatment, toxicology and health.
- The Alberta Research Council collaborated with a U.S. technology company to advance the international telehealth industry and services.
- The Alberta Agricultural Research Institute facilitated Alberta's first collaborative funding agreement with 6 major funders, resulting in a streamlined one-window approach, shared strategic investments and new research partnerships.
- iCORE attracted four new high-caliber researchers to Alberta in the fields of wireless networks, software engineering, cryptography, and digital communications networks.
- The Ministry worked to develop an ASRA Life Sciences Research Strategy in collaboration with Alberta Health and Wellness; Alberta Learning; Alberta Agriculture, Food and Rural Development; Alberta Economic Development; Alberta Infrastructure; Alberta Environment; and Alberta Sustainable Resource Development.

2. Government Information Technology

- Finalized SuperNet contract with Bell Intrigna (now Bell West) and AXIA IP Services (now Axia SuperNet Ltd.) for the construction and operation of Alberta SuperNet.
- The network design for SuperNet was completed, and the initial community rollout schedule was developed and published. Construction began on the first segment of SuperNet which will serve as a test environment for the network design. Bell Intrigna and Axia IP Services also began acquiring major assets, such as fibre, to support the construction of SuperNet.
- Developed a cross-ministry information and communications technology (ICT)[1] initiative that will identify strategic activities across government and focus efforts on initiatives supporting direct citizen access to information and programs.
- AGent (Alberta Government Employee Net), a government-wide project established by Innovation and Science, was honored with a gold medal in the Canada-wide Distinction Awards 2001 program.
- Introduced the *Electronic Transactions Act*, Bill 21 on May 28, 2001. The *Act* received Royal Assent in November 2001 and proclamation is expected during 2002. This legislation will enable use of electronic transactions and ensure that electronic signatures and records have the same legal status under Alberta law as written information.

Highlights — Performance Measures

- 95 per cent of Albertans think research conducted at universities and with industry is important or very important to their quality of life.
- 88 per cent of Ministries have aligned with major corporate ICT directions and initiatives.
- All 2001 – 2002 targets set for corporate ICT standards, departmental support, security, enterprise standards management, and design of a distributed computer support model have been met or exceeded.
- The number of ICT workers in Alberta in 2001 was 56,000, an increase of 4.3 per cent from 2000.
- Research and development (R&D) expenditures by the Government of Alberta increased by approximately 26 per cent from 1998 to 1999.[8] During the same period, federal government R&D investment in Alberta increased by 19 per cent, but business R&D investment decreased by 27 per cent. This resulted in a net decrease in total R&D investment in Alberta (from these three sources) in 1999.
- Technology commercialization revenues at the Alberta Research Council are up by 33 per cent and customer satisfaction is at nearly 96 per cent.
- ARC spent $897,000 on Greenhouse Gas Strategic Initiatives in 2001 – 2002, and during this same period, external contract revenue, the number of projects, the number of partners and the number of ARC personnel involved in these initiatives increased.
- The Ministry provided a total of $1.66 million to science and research organizations for the purpose of promoting science awareness and education.
- 34 per cent of Alberta K – 9 students surveyed reported that Science and Technology week activities led them to consider a career in science or technology.
- Innovation and Science employees indicated higher levels of overall satisfaction with their employment with the department (88 per cent) when compared to results across government.

Highlights — Indicators

- Sponsored research at Alberta Universities from all sources increased by 23 per cent with the largest increase coming from the Alberta government sponsored research (an increase of 28 per cent in the last year and more than 80 per cent in the last 2 years).
- 36 per cent of Alberta households use the Internet at work — the highest percentage in the nation.
- From 2000 – 2002, for each dollar the Alberta Science and Research Authority invested in R&D, an average of 2 additional dollars were leveraged from partners (industry, academia, etc.).
- Alberta has the second highest percentage of scientists, engineers, technologists and technicians in its labour force, behind Ontario.

Highlights — Financial Performance

Spending was within approved targets and directed to the Ministry's core businesses. Expenses for the Ministry of Innovation and Science totaled $192.4 million for 2002. Significant programs provided by Innovation and Science include:

$137.4 million for Science, Research and Development, consisting of:

- $64.2 million for the Alberta Research Council
- $38.8 million for university research, including $21.4 million for the Alberta Science and Research Investments Program, $13.9 million for Strategic Research Initiatives and $3.5 million for the Research Excellence Envelope
- $9.7 million for the Alberta Agricultural Research Institute
- $9.0 million for the Alberta Energy Research Institute
- $5.8 million for iCORE (the Alberta Informatics Circle of Research Excellence)
- $2.3 million for Technology Commercialization Initiatives
- $2.0 million for the Alberta Forestry Research Institute
- $5.6 million for program delivery support

$50.8 million for Government Information Technology, consisting of:

- $22.5 million for the delivery of cross government telecommunications services
- $15.7 million for the delivery of cross-government information technology services
- $8.9 million for the delivery of cross-government financial and human resource applications (IMAGIS)
- $2.1 million in community involvement and transition costs for Alberta SuperNet
- $1.6 million for the Office of the Chief Information Officer

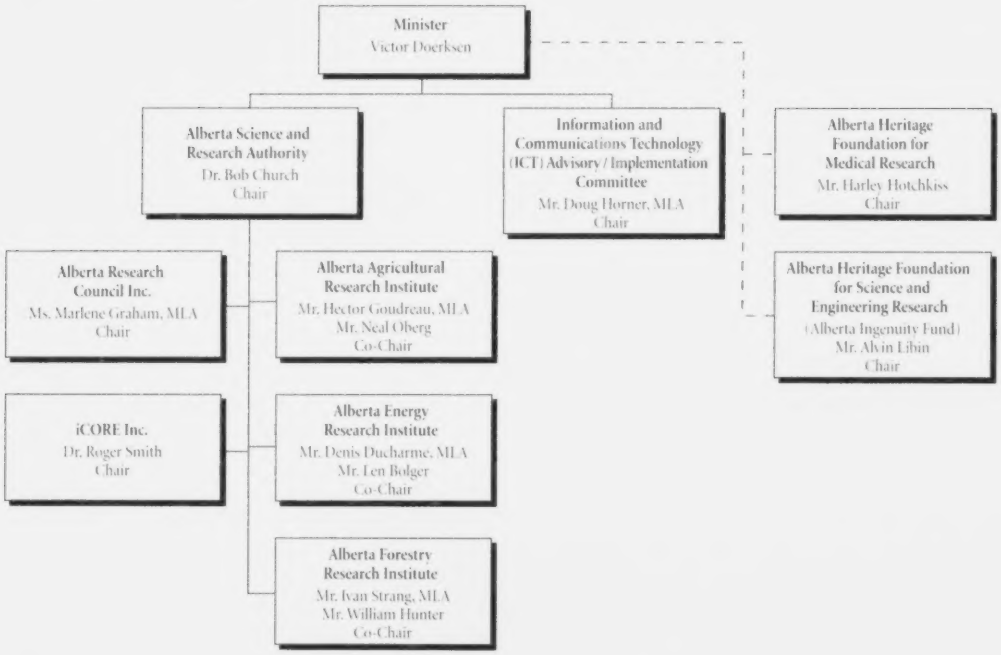
$4.2 million for Ministry Support Services including Minister's Office, Deputy Minister's Office, Policy Development and Coordination, Finance, Human Resources and Communications

Capital investment for the Ministry of Innovation and Science totaled $46.1 million for 2002 as follows:

- $39.0 million for the Alberta SuperNet initiative
- $4.9 million for ICT (e.g. computer hardware and software, telecommunications equipment)
- $2.2 million for the Alberta Research Council (e.g. research equipment)

Operational Overview

Chart 1
Key Boards and Agencies



The following is a brief overview of each of the key boards and agencies:

Alberta Science and Research Authority (ASRA)

The Alberta Science and Research Authority board is comprised of representatives from Alberta's private sector, universities and government. It was formed in 1994 to enhance the contribution of science and research to the sustainable prosperity and the quality of life of all Albertans. Members with expertise from science and research development and related business fields advise the Government of Alberta on science and research investments including the identification of research priorities and funding allocations.

Alberta Research Council Inc. (ARC)

The Alberta Research Council is a not-for-profit corporation and a wholly-owned subsidiary of the Alberta Science and Research Authority. The Research Council is governed by a Board of Directors, including representatives from the business and research communities in Alberta. The Research Council's work spans a number of fields, from agriculture, life sciences, energy, environment and forestry, to health and manufacturing. Primarily, the Research Council develops and commercializes technologies to give its customers a competitive advantage. It does this by performing applied research and development on a contract-for-fee basis, and co-venturing with others to develop new technologies. Return on investment comes from the commercialization of new products and services. As well, the Research Council conducts applied research in support of ASRA and government departments to meet provincial science and technology needs and strategies.

iCORE (Alberta Informatics Circle of Research Excellence) Inc.

iCORE Inc. is a not-for-profit corporation and a wholly-owned subsidiary of the Alberta Science and Research Authority. iCORE is governed by a Board of Directors, including representatives from the business and research communities in Alberta. iCORE is part of the Government of Alberta's strategy to attract world class ICT researchers to the province. In this way, it is able to enhance the work of already teams here and will place Alberta in the major leagues of ICT. iCORE invests in people who are driven to solve fundamental and applied problems in information technology. In doing so, it creates a critical mass of research leaders focused on improving our future.

Alberta Agricultural Research Institute (AARI)

The Alberta Agricultural Research Institute is an unincorporated board comprised of representatives from industry, academia and government which is accountable to the Minister of Innovation and Science through the Alberta Science and Research Authority. AARI is the primary agency for funding, facilitating and coordinating strategic agriculture and food research for the province. AARI's mission is to enhance the economic contributions of a sustainable agriculture and food industry to Albertans through advanced research and improved technology.

Alberta Energy Research Institute (AERI)

The Alberta Energy Research Institute is an unincorporated board comprised of representatives from industry, academia and government which is accountable to the Minister of Innovation and Science through the Alberta Science and Research Authority. AERI is the lead energy research agency in the province and provides strategic direction to position Alberta for the future in energy development, and invests in research and technology to enhance the development of the province's abundant energy resources while promoting environmental performance. The Energy Research Institute works with industry and other government ministries to promote innovations and advances that allow the energy sector to play a dominant role in the new economy through the development of value-added products and processes from hydrocarbons (conventional oil, heavy oil, oil sands, natural gas, coal bed methane and coal) and renewable energy sources.

Alberta Forestry Research Institute (AFRI)

The newest research institute under the Alberta Science and Research Authority banner, the Alberta Forestry Research Institute, will encourage and support private and public investment in the economic, environmental, ecological and community sustainability of Alberta's forestry sector.

ICT Advisory/Implementation Committee

The ICT Advisory Committee was established in November 1999 and consisted of members of the public and private sectors. This Committee developed recommendations on growing the ICT industry, developing a vigorous ICT infrastructure and establishing the province as a leader in the electronic delivery of government programs and services. The Committee was dissolved once its recommendations were made to the Premier on May 4, 2000. Subsequent to this, an ICT Implementation Committee was established. The Implementation Committee is tasked with providing strategic insight on emerging ICT issues and making recommendations on maximizing Alberta's global competitiveness in the ICT sector.

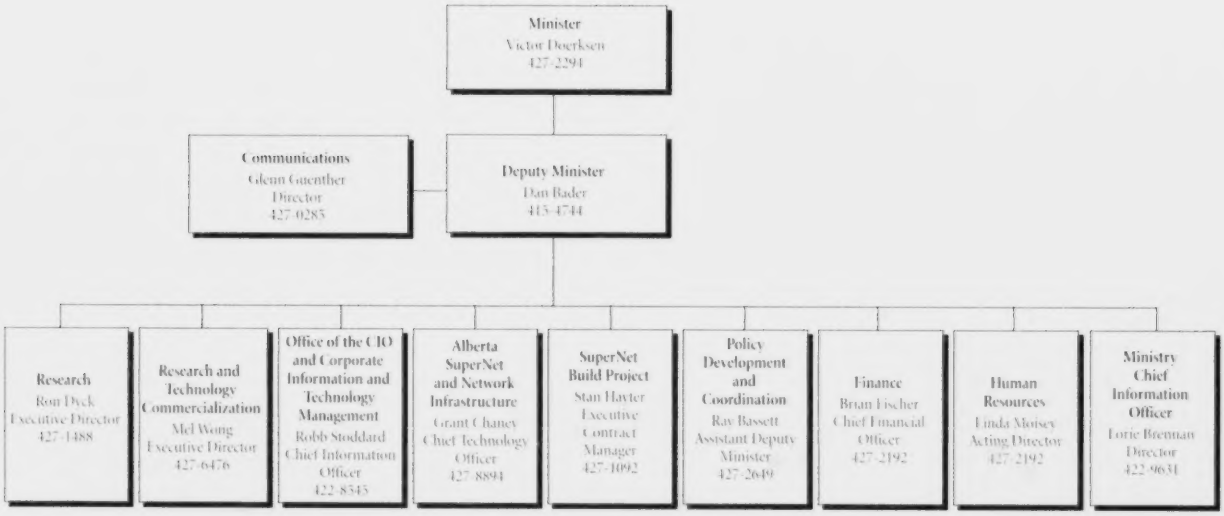
Alberta Heritage Foundation for Medical Research

Established by the Government of Alberta in 1980, the Alberta Heritage Foundation for Medical Research supports biomedical and health research at Alberta universities, affiliated institutions, and other medical and technology-related institutions. The Foundation is an independent body that operates at arms-length from government. Alberta Heritage Foundation for Medical Research funding has contributed significantly to a globally recognized research environment in Alberta, attracting the best scientists involved in a wide spectrum of research.

Alberta Heritage Foundation for Science and Engineering Research

In 2000, the Government of Alberta established the Alberta Heritage Foundation for Science and Engineering Research (now operating under the trade name Alberta Ingenuity Fund). Trustees are currently focused on establishing a strategic direction and developing funding programs. The Ingenuity Fund is working with universities and industry to develop research funding programs that address research and development needs in science and engineering.

Chart 2
Department of Innovation and Science: Structure and Contact Information



The following is a brief overview of each of the departmental entities:

Office of the Deputy Minister

The Office of the Deputy Minister provides leadership to the department and advises the Minister on developing and managing strategic plans for research and development in areas of importance to Alberta, coordination of government science and research, promoting a science culture in Alberta and effective use of technology throughout the government. The Deputy Minister also serves as President and Chief Executive Officer of ASRA.

Communications

Communications provides timely, high-quality strategic communications advice (planning, consulting and technical guidance) to the Minister, Deputy Minister, management committee and ministry staff for key ministry policies and initiatives. Communications ensures the ministry's messages and services are delivered to Albertans and stakeholders effectively and efficiently. Primary responsibilities include: communications support to Minister and management committee, communications planning and project management, issues analysis and media relations, strategic and professional writing services, and internal corporate communications.

Research

The Research Division works with ASRA, AARI, AERI, and AFRI to coordinate, support and promote research and technology transfer in Agriculture, Energy, Forestry, and Life Sciences. This Division also supports pharmaceutical and biotechnology industries development.

Research and Technology Commercialization

Research and Technology Commercialization is responsible for strategic, high-tech R&D initiatives as well as the development of business opportunities in ICT research. The division works to increase the knowledge industry in Alberta by growing, attracting and retaining firms specializing in industries such as electronics, microelectronics, telecommunications and information networks, computer technology including hardware and software, multimedia, advanced materials and manufacturing. This unit also facilitates new product development and increased technology commercialization opportunities across all knowledge-based sectors.

Office of the Chief Information Officer (CIO)[iii]/ Corporate Information and Technology Management

The Office of the CIO provides leadership, direction and focus to the planning and implementation of Corporate Information and Technology Management (CITM) initiatives to support government's vision of being a model user of technology in serving Albertans by:

- Providing professional strategic advice for improving the state of corporate ICT systems and infrastructure in conjunction with government Ministries and the Alberta Corporate Service Centre (ACSC);
- building and ensuring effective valued use of Government of Alberta enterprise architecture in promoting strategically aligned corporate ICT investment and design; and
- designing and implementing IMAGIS human resources and financials applications on behalf of government.

Alberta SuperNet and Network Infrastructure

This area has responsibility for:

- Operation of Alberta SuperNet as well as government stakeholder relations, community engagement strategies and communications activities to support community involvement in SuperNet.
- Network Infrastructure in the direction, planning, provisioning and business support for the government's network services, and migration of government users from the existing telecommunications network to SuperNet.

SuperNet Build Project

This unit is responsible for working with the private sector consortium on the construction of Alberta SuperNet. SuperNet construction began in 2001 and will be completed by 2005. The construction schedule takes into consideration numerous technical, geographic and economic factors.

Policy Development and Coordination

Policy Development and Coordination provides planning and reporting with a long-term outlook, coordinates the ministry's business plan and annual report, develops, evaluates, and monitors performance measures, and addresses legislative and regulatory issues facing the ministry. Policy Development and Coordination staff act as the Ministry's liaison for numerous cross ministry initiatives and coordinate Federal/Provincial liaison in science research, and technology related matters. This division also includes the University Research and Strategic Investments branch. This branch is responsible for development and management of the Alberta Science and Research Investments Program and selected Strategic Research Investments approved by the Alberta Science and Research Authority Board, and for on-going liaison with Alberta post-secondary institutions and other granting agencies on matters of research policy and funding.

Finance

Finance ensures effective and efficient financial management and accountability within the ministry by providing strategic corporate financial services to clients within the department, and the Alberta Science and Research Authority and its reporting entities. Finance supports the strategic planning process of the ministry including the Alberta Science and Research Authority; pursues opportunities to use information technology for financial planning, administration and project management; and implements best practices in assessing and reviewing strategic investments.

Human Resources

Human Resource Services implements strategies to ensure that employees know and understand how their work contributes to ministry business plan goals and that employees receive ongoing feedback on their individual performance. Other priorities include: continuous learning based on individual learning plans and the evolving needs of the department, leadership development, leadership continuity, and attracting and retaining employees who are recognized for their leadership, teamwork and innovative practices.

Ministry Chief Information Officer

The Ministry Chief Information Officer (CIO) sets the direction for applying information technology strategically to current and emerging ministry business needs to enable program solutions, improve administrative processes and enhance communications. The CIO leads projects aimed at improving efficiency within the department and in prototyping possible cross government ICT applications.

Summary of Key Activities in the Past Year

Goal 1: Maximize the international competitiveness of Alberta's science and research system.

- Contributed to a collaborative venture between the Governments of Alberta, Canada (National Research Council) and the University of Alberta to establish a $120 million state-of-the-art National Institute for Nanotechnology at the University of Alberta.
- Worked with Alberta Health and Wellness, Alberta Learning, Alberta Agriculture, Food and Rural Development, Alberta Economic Development, Alberta Infrastructure, Alberta Environment, and Alberta Sustainable Resource Development to develop an ASRA Life Sciences Research Strategy. The objective of this strategy is to position the province to capitalize on the potential of the life sciences revolution while addressing critical social and ethical issues.
- The Alberta Science and Research Investments Program ran a successful competition in 2001 – 2002, allocating $4 million to help Alberta universities attract and retain quality faculty through research infrastructure enhancements.
- Allocated $6.7 million to strategic research initiatives that will aid in the further development of the capabilities and capacity of Alberta's innovation system. Examples include: $500,000 to the Sun Centre of Excellence for Visual Genomics and $1,700,000 to the Banff International Research Station for Mathematical Innovation and Discovery.
- Allocated $3.5 million through the Research Excellence Envelope to reward and foster sustained research excellence at Alberta universities.
- iCORE recruited world-class researchers in ICT in the areas of network performance evaluation, software engineering, cryptography, and digital communications for a total of 10 world-class researchers and their teams to date.
- iCORE presented 87 graduate student awards in the fields of computer science, electrical and computer engineering, physics, mathematics, and other ICT related disciplines.
- AARI, in concert with five research funding partners (Alberta Crop Industry Development Fund, Alberta Livestock Industry Development Fund, Diversified Livestock Fund of Alberta, Ag and Food Council, and AVAC Ltd.), created Alberta's first 'one-window' approach for research funding. Over $8.5 million dollars were committed to agricultural research projects by the six funding bodies through this collaboration (with approximately $4 million from AARI).
- AARI's total investment in agriculture R&D was approximately $9 million, consisting of 43 new and 73 renewal projects. This investment leveraged over $25 million in research and technology investments in the strategic priority areas of Agri-health, Basic Research (Genomics, Proteomics and Bioinformatics), Environmental Sustainability, Food Production, and Value-Added Processing.
- AERI developed an Alberta Energy Research Strategy as part of a comprehensive and integrated energy strategy for the province. The Strategy will assist in transforming separate sectors (oil and gas, coal, power and petrochemical) of the economy into an integrated energy industry focused on the utilization of Alberta's resources to their fullest potential.
- AERI has enhanced its capability to thoroughly evaluate research proposals on technical and economic merit and has established technical monitoring and audit protocols to provide cost/benefit tracking and to identify the potential for advancing projects to the next phase.

Goal 2: Promote effective technology commercialization, adoption, and investment in Alberta.

The following activities support Alberta's Economic Development Strategy.

- Signed a Memorandum of Understanding (MOU) with the Government of China. Alberta and China share priorities and research strengths in telecommunications, environmental protection, biotechnology, high-tech agriculture and energy. The MOU serves as an umbrella agreement that outlines a process under which various research and technology initiatives may occur.
- Singapore's National Science and Technology Board committed $1million to the TechnoBridge project under the Singapore Memorandum of Understanding signed in December 2000. Under this project, TR*Labs* and Singapore's Center for Wireless Communications are developing a TechnoBridge Consortium in which Alberta and Singapore small business organizations, research institutes and large multinational organizations can collaborate and develop leading edge technologies in wireless Internet content and application technologies.
- ARC completed implementation of the Singapore technology commercialization initiative and evaluation for potential in other districts.
- Worked with Sun Microsystems resulting in an investment of over $1 million in Alberta research institutions, named the University of Calgary as the Sun Centre of Excellence for Visual Genomics and naming the University of Alberta as the first-ever Sun Centre of Excellence for E-Learning.
- Coordinated a mission to Silicon Valley to advise expatriate Albertans of high technology business opportunities available in Alberta and to encourage the return of expatriates and/or their investment to Alberta. Over 170 people attended the event.
- ASRA Contributed $969,420 to the creation of Inno-Centre Alberta, a not-for-profit entity with a mandate to accelerate the creation and growth of new high technology companies.
- ARC realized approximately $4.8 million in product sales, royalties and licensing fees from its technology commercialization ventures in 2001 – 2002, and had 11 current joint venture projects.
- ARC performed R&D contract services for the private sector and other external customers totaling $40.2 million, which was $3 million more than the previous year.
- The Technology Commercialization Task Force was re-structured in 2001 with a mandate to provide advice and guidance in the establishment and improvement of the technology commercialization system in Alberta. One of the Task Force's primary roles will be to develop an enhanced technology commercialization strategy and policy for Alberta.

- On behalf of the Government of Alberta, announced funding of $7.5 million over five years to TR*Labs*, Canada's largest and most successful not-for-profit information and communications technology research consortium. This reaffirms government's commitment to innovation in telecommunications research in Western Canada.
- The construction phase of Alberta SuperNet commenced in 2001. In February 2002, the Alberta SuperNet Community Rollout Schedule was released showing the sequence of construction by commencement and completion dates, for communities across the province. When fully completed in 2005, Alberta SuperNet will provide broadband network services to learning and health facilities, libraries and government departments across the province. It will also make broadband services available to commercial service providers, who will proyide competitive services to businesses and residences in rural and urban areas.
- As part of the SuperNet community involvement strategy, approximately 30 communities (of 422 total), have met with the SuperNet team to discuss how the SuperNet infrastructure being put in place is going to benefit them.
- Coordinated the establishment of the Alberta-California Venture Channel, enabling Alberta-based high-tech companies to access specialized mentoring, investment dollars and expanded markets.
- Played a leading role in the establishment of the Network for Emerging Wireless Technology (NEWT), which is designed for industry with common interests in the research, development and trials of wireless applications, devices, services and products.
- Promotion of the Alberta Advantage and a positive business environment has resulted in the following multinational enterprises establishing a presence in Alberta:
  - IBM Canada named Edmonton as the location for on of its new world-class, high-tech Centre for E-Business Innovation,
  - Celonex Inc. relocated a biochip company from Montreal to Alberta
  - Alcatel established a facility in High River to manufacture backbone fibre optic cable for the U.S. market, and
  - Played a key role in providing initial site location and Alberta Advantage information to Neiman Marcus for the establishment of a call centre in Alberta, creating 400 jobs.
- Released an enhanced E-Business InfoKit that provides valuable early-stage information for small and medium sized businesses about building an E-Business presence.

Goal 3: Promote effective application of science and research for improving the stewardship of Alberta's resources and environment.

- ASRA made a significant contribution to basic and applied research in sustainable forest management and opportunities for adding value in the forestry sector as well as increasing the export market and competitiveness for forest products manufactured in Alberta.
- ARC established a business presence in Coal Bed Methane technologies.
- ARC developed plans for the launch of the Integrated Resource Management strategy, to be completed in 2002.
- AARI funded research projects in the environmental sustainability initiative on technology to reduce greenhouse gas emissions from agricultural operations as well as soil, water and air quality research.
- AERI invested $8.8 million in energy related R&D, supporting 78 projects including field pilots to test production technology, industry-led consortia at ARC in Edmonton and Calgary and Natural Resources Canada in Devon and several smaller projects.

Goal 4: Promote the benefits of science and innovation within Alberta.

- Science and Technology Week 2001 — Celebrated science and technology in Alberta and encouraged youth to enter careers in science and technology. Innovation and Science provided science teachers (K-9) throughout the province with toolkits enabling them to participate in the week, and encouraged families to take part in special activities. The special Science and Technology Week website achieved the highest number of hits ever.
- Provided funding to the SCIberMENTOR program[iv] — an e-mail mentoring program aimed at girls 11 to 18 years of age living in Alberta, with the purpose of exciting them about science and engineering opportunities at critical times in their development. By linking girls with women who are studying science and engineering, or who are working as professionals, this program will give them first-hand exposure to some of the exciting careers available in these areas. The program was initiated in September 2001 and has over 350 participants province-wide.
- Jointly sponsored the annual ASTech Awards that honour Alberta's top achievers in science and technology, specifically ensuring the continuation of the "Leaders of Tomorrow" category.
- Sponsored the ASTech Award's Alberta Innovation 2001 documentary that highlighted both past and present award recipients. The documentary was broadcast provincially in October 2001 and because it was so well received, was rebroadcast in January 2002. The video was also distributed to all junior high schools in Alberta.
- Sponsored the Science Alberta Foundation to aid in promoting a science culture in Alberta through such initiatives as a science hotlines and mobile science exhibits that travel throughout the province.
- Interaction with communities began in 2001 to develop opportunities and identify benefits that SuperNet will offer citizens.

- Sponsored the Edmonton Science Outreach Network's Hands-On Science K-6 Mini-Conference. This professional development conference for elementary school teachers allows teachers to upgrade knowledge and skills in scientific curricula.
- ARC supported the *Super Science Kids' Day and Open House* coinciding with Science and Technology Week in October. The open house attracted more than 1,100 people.
- In 2001, iCORE began to hold monthly *iCORE Distinguished Lecturer* presentations and invited students, researchers and industry. These presentations are video-conferenced to the major Universities and to SAIT, NAIT and Mount Royal College, and are also available as Webcasts. These presentations describe the work of iCORE research team's and provide a venue for researchers, industry and students to network and share ideas.

Goal 5: The Government of Alberta will be a model user in the application of information, knowledge and technology.

These activities support the Key Cross Ministry Administrative Initiatives: The Alberta Corporate Service Centre Initiative, the Corporate Information Management/Information Technology Strategy, and the Service Alberta Initiative.

- Established a new ICT model for the Government of Alberta that facilitates a common approach to ICT rather than a number of independent approaches. This model will contribute to the sharing of information, a common and shared infrastructure, common cross-government standards, common e-business processes, and a shift to delivering services electronically.
- Initiated the Government of Alberta Enterprise Architecture project to steer ICT solutions toward support of government's strategic goals for enhanced electronic delivery of services to Albertans, and greater cross-government consistency, sharing and reuse of technology. An integrated set of corporate principles, models, standards, guidelines and plans are being created and will be used on an on-going basis to guide ICT investment and design decisions.
- A Technology in Government Distinction Award Gold Medal was awarded for AGent (Alberta Government Employee Net). This Canada-wide Distinction Award recognizes outstanding information management and information technology projects and initiatives in government, and the people who make them happen. AGent enables employees to access their HR and payroll information, update their basic personal and benefits information, and register for courses on-line.
- The *Electronic Transactions Act* received Royal Assent on November 29, 2001. This legislation will enable use of electronic transactions and ensures that electronic signatures and records have the same legal status under Alberta law as written information. Proclamation is expected in 2002.
- An e-commerce strategy has been developed as the initial component of an e-business strategic plan for government, which will provide direction to move government towards an e-business environment that encompasses the Service Alberta initiative.
- Implemented PEAK (Performance Excellence through Action and Knowledge), a work coordination software tool that will enhance team communication, effectiveness and collaboration within Innovation and Science.
- Developed an information and technology management (ITM) planning process that effectively integrates with ministry business plan activities.

- ExClaim![2] and the Electronic Payment System (EPS) were implemented. ExClaim![2] is the Government of Alberta's new web-based expense claim application. This program enhances the submission, processing and tracking of expense claims. EPS is the Government of Alberta's web-based electronic payment system for automated payment of telecommunication and vehicle operating costs.
- Established the Information Protection Centre to improve network security practices and provide a focal point for information exchange both within and outside the Government of Alberta.

Goal 6: Effectively manage human capital within the ministry of Innovation and Science.

- The Ministry reported excellent results in the core measures survey.[3] The results indicate that 87 per cent of Ministry employees know and understand how their work contributes to the achievement of the ministry business plan, an increase of 10 per cent from 2000 – 2001.
- Participated in the Corporate Executive Development Program and the University of Alberta's Management and Senior/Executive Development Programs. These programs address the need for leadership continuity within the Alberta Public Service and afford individual managers an opportunity to enhance their leadership skills. Innovation and Science also encourages other training and development activities including attendance at conferences and seminars, developmental assignments and work experience placements.
- Implemented a performance assessment and feedback process for all employees with ministry-wide participation in information sessions. Performance feedback is linked to competencies and business plan objectives. A majority of employees participated in workshops to assist them in their individual performance planning for the new fiscal year. The workshops also focused on developing individual learning plans.

Key Cross Ministry Policy Initiatives

Aboriginal Policy Initiative — Alberta Innovation and Science collaborated with Alberta Aboriginal Affairs and Northern Development to ensure optimal use of Alberta SuperNet in Aboriginal, Métis, and northern communities.

Economic Development Strategy — Alberta Innovation and Science is a co-champion of government's economic development strategy, *Get Ready Alberta*, together with Alberta Economic Development and Alberta Learning. The Ministry supports *Get Ready Alberta* to make Alberta a world leader in innovation, research, development and commercialization of new ideas.

Seniors Policy Initiative — Alberta Innovation and Science supports the Seniors Policy Initiative by ensuring that Alberta seniors have access to high-quality information and improved program and service delivery through the innovative use of technology and Alberta SuperNet.

Children and Youth Services Initiative — The Alberta Science and Research Authority participates in the Alberta Children and Youth Initiative led by Alberta Children's Services.

Key Cross Ministry Administrative Initiatives

Alberta Corporate Service Centre Initiative — Alberta Innovation and Science works closely with the Alberta Corporate Service Centre (ACSC), the Government of Alberta's service partner and provider in four major functional areas: finance services, information technology services, human resource services and administration services.

- Ministry staff worked closely with ACSC to ensure a smooth transition of responsibility for cross-government services from Innovation and Science to ACSC (e.g., data centre operations, Alberta Records Centre).
- Partnered with ACSC in developing a server-centric production environment that enhances upgrading efficiency and permits remote user access to all referenced programs and documents in shared/personal directories.
- Initiated the Government of Alberta Enterprise Architecture project. This will define corporate principles, models, standards, guidelines and transition plans, plus the necessary associated governance/management processes, tools and methods.

Corporate Human Resource Development Strategy — Alberta Innovation and Science has developed a Human Resource Plan which focuses on implementing the key strategic areas identified within this cross-ministry strategy: employee alignment, commitment, versatility, competence and well-being. The ministry also participates in developing corporate human resource strategies that align with department goals.

Corporate Information Management/Information Technology Strategy — Alberta Innovation and Science is a co-lead with Alberta Government Services on this cross government initiative with the objective of enhancing and improving the effectiveness of the delivery of government programs to Albertans using information and communications technology as a tool to improve efficiency. In co-leading this initiative, Innovation and Science is working to integrate and coordinate a cross-government planning process, establish a cross-government ICT policy and business framework for e-government, and define and prioritize cross-government ICT priorities with roles and responsibilities clearly defined.

Service Alberta Initiative — Alberta Innovation and Science provides support for project management and coordination, participates in setting direction, and implementing Service Alberta. Innovation and Science's role includes establishing the technical standards and assisting in the selection of appropriate technologies and approaches to enable electronic service delivery to Albertans.

Government of Alberta 2001 – 2004 Business Plan Goals

The activities contained in this Report support the following goals of the 2001 – 2004 Government of Alberta Business Plan:

Goal 1: Albertans will be healthy

Goal 6: The well-being and self-reliance of Aboriginal people will be comparable to that of other Albertans

Goal 7: Alberta will have a prosperous economy

Goal 8: Our workforce will be skilled and productive

Goal 9: Alberta businesses will be increasingly innovative

Goal 10: Alberta's value-added industries will lead economic growth

Goal 11: Alberta will have effective and efficient infrastructure

Goal 14: Alberta businesses will increase exports

Goal 16: Alberta's renewable natural resources will be sustained

Goal 17: The high quality of Alberta's environment will be maintained

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Key Performance Measures

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Innovation and Science's key performance measures included in the 2001 – 2002 *Annual Report of the Ministry of Innovation and Science*:

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit, and therefore I express no opinion on the key measures included in the *2001 – 2002 Annual Report of the Ministry of Innovation and Science*.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
August 27, 2002

Results Analysis

Goals, Performance Measures, and Indicators

Within its two core businesses, the *Alberta Innovation and Science 2001 – 2004 Business Plan* identifies goals, strategies, performance measures, and indicators.

This section of the annual report outlines the goals the ministry intended to achieve and the strategies taken toward those goals. It outlines what measures were used to assess the ministry's performance, why those measures were used, and a discussion of the results.

The 2002 – 2005 Business Plan

In developing the 2002 – 2005 Business Plan, Innovation and Science used the same basic ideas that were included in the 2001 – 2004 Plan and have laid them out in a way that provides additional detail, direction and clarity. The new plan incorporates some of the same performance measures as the previous plan. For example, employment in the ICT sector in Alberta and Alberta university sponsored research funding. However, a number of new measures have been introduced. Several of the new measures are the result of refinements to previous measures. For example, all of the measures related to the SuperNet project have been refined as the implementation schedule was finalized. Overall, the 2002 – 2005 Plan contains a wider range of performance measures which will provide a broad context for assessing ministry performance. As the Ministry's role evolves, there will likely be some modifications in the business plan but major revisions are not anticipated over the next few years.

Discussion of Goals and Performance Measures

Goal 1: Maximize the international competitiveness of Alberta's science and research system

Key Performance Measure 1: Number of People Employed in the information and communications technology (ICT) Sector.[vi]

Alberta's success in the knowledge-intensive economy relies heavily on having a strong research system with support for equipment and skilled people. The strategies that support this goal are aimed at fostering a quality research system in Alberta by ensuring that the province has quality people and quality infrastructure (equipment and laboratories) to support it.

The ICT sector is an increasingly important component of competitiveness and has an enormous effect on growth and employment. Talented people in this sector are its biggest asset. Innovation and Science is actively involved in growing a skilled workforce in the ICT sector, through efforts such as trade missions to the United States, attracting world-class ICT researchers and graduate students, and fostering collaboration between industry, universities, and government.

Discussion (Table 1): The number of ICT workers in Alberta has increased by less than 5 per cent since 2000 and has not met the 2001 target. This is due to the dramatic slow down in the ICT industry in 2001. The effects of this slow down were most evident in communications equipment manufacturing, semiconductor and other electronic equipment manufacturing, as well as the information services sector.

Much of our present activity related to this measure is focused on building a strong foundation for growth in the ICT sector, such as building the infrastructure to support it through Alberta SuperNet. The impact of our activities would not be reflected in the results presented here. It is also important to note that data at this level of aggregation tend to vary considerably from year to year due to the small sample size used in the Labour Force Survey. As such, annual variations may not accurately represent absolute changes in the number of ICT workers in Alberta. The real value of this measure will lie in tracking it over the next 5 to 10 years to determine whether Innovation and Science's activities aimed at growing the ICT workforce are achieving results over the long-term.

Table 1
Number of People Employed in the ICT Sector[vii]

	1999 Actual	2000 Actual	2001 Target	2001 Actual	2002 Target	2003 Target	2004 Target	2005 Target
Number of information and communications technology (ICT) workers in Alberta	50,300 ICT workers	53,700 ICT workers	61,200* ICT workers	56,000 ICT workers	63,500 ICT workers	71,000 ICT workers	78,500 ICT workers	85,300 ICT workers

Source: Statistics Canada-Labour Force Survey 2001.

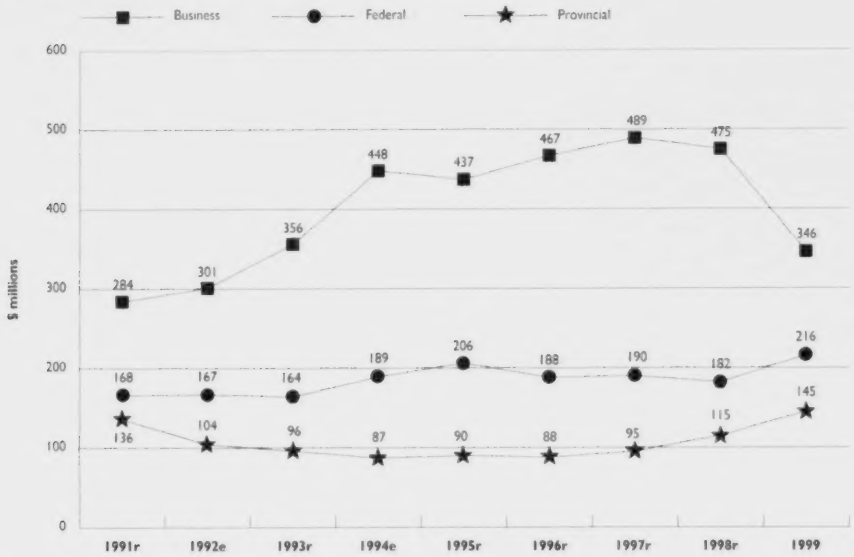
*Annual targets (set in 1999) were originally ranges, and were adjusted to a discrete number in order to better measure against the actual.

Supplementary Measure 2: Research and Development (R&D) Investment in Alberta by Source (federal, provincial, business). (This measure was discontinued after the 2001 – 2002 fiscal year).

In a knowledge-intensive economy, investment in science and R&D is a key driver of business growth and success. The ability of Alberta's universities to attract investment in R&D from public, private, national and international sources directly influence the competitiveness of our science and research system.

Discussion (Figure 1): As figure 1 indicates, a total of $707 million was invested as R&D expenditures in Alberta in 1999 from federal, provincial and business sources. Provincial expenditures on R&D have increased by 26 per cent in the past year; from $115 in 1998 to $145 million in 1999. Further, there has been a net increase in federal expenditures of 19 per cent (from $182 to $216 million), indicating a reversal in the downward trend in federal spending seen in the three years prior. Business expenditure on R&D in Alberta has decreased, however, by approximately 27 per cent (from $475 to $346 million) in the past year. This decrease in business expenditure was not mirrored in other provinces such as British Columbia, Ontario, and Québec. Approximately 50 per cent of the decrease was due to declines in energy sector R&D and an additional decrease of 28 per cent in telecommunications sector R&D (Source: Science, Innovation and Electronic Information Division, Statistics Canada, June 2002). Further, it is important to note, that although this data is the most current data available from Statistics Canada, it represents 1999 R&D expenditures, and does not reflect the efforts made to leverage R&D funding in the province by the Ministry of Innovation and Science as it was just formed that year. The results of this work will start to appear in 2000 or 2001 data. By 2005, Innovation and Science is aiming for a total R&D investment from all three sources of $2 billion.

Figure 1
R&D Investment in Alberta by Source



Source: Estimates of Canadian Research and Development Expenditures (GERD), Canada 1990 to 2001e, and by Province 1990 to 1999. Cat. No. 88F0006XIE01014, November 2001, Statistics Canada.

r = values have been revised by Statistics Canada since first released.

e = The values for business sector investment in R&D for 1992 and 1994 are estimates, as a complete survey was not conducted for those years.

Goal 2: Promote effective technology commercialization, adoption, and investment in Alberta

Key Performance Measure 1: High-Speed[viii] network access.

Alberta SuperNet will make affordable high-speed broadband connectivity available to all Alberta schools, hospitals, libraries, provincial government buildings and municipalities. SuperNet bandwidth will also be available to service providers at competitive rates to supply high-speed network services to businesses and residences in and around connected communities. By 2004, approximately 4,700 facilities in 422 communities across Alberta will have access to SuperNet. This initiative provides the infrastructure supporting the expansion of a knowledge-intensive economy and the opportunities that accompany it.

This performance measure was originally developed to identify the number of grade school, university and college connections to the Internet. As the build of Alberta SuperNet is underway, new opportunities for measuring the availability of access to a high-speed network for communities, schools, hospitals, libraries and government buildings will emerge.

In creating a more tangible measurement, it should be noted that the baseline for measurement will not be realized until the end of 2002 – 2003, when the first communities have the Alberta SuperNet infrastructure in place. The numbers available at that time will measure the number of stakeholders listed above that are connected to the SuperNet.

Key Performance Measure 2: Economic Impact on Alberta. (This measure was discontinued after the 2001 – 2002 fiscal year).

ARC is a major contributor to applied R&D and technology commercialization in Alberta. In fact, many of the strategies to support this goal outlined in the Ministry 2001 – 2004 Business Plan are carried out by ARC as illustrated in Table 2.

Discussion (Table 2): 2001 – 2002 commercialization revenues for the Alberta Research Council (ARC) are up overall, although they are lower than anticipated. This can be partly attributed to ARC's ZiMARC enterprise unit not meeting expected product sales due to the downturn of the telecom industry and events of September 11th. ARC's licensing and royalty revenues were exceeded to make up for some of the shortfall.

The estimated economic impact is based on the results of the survey findings and shows steady increases over the past four years. ARC is targeting an economic impact of $250 million for their partners for next year.

ARC fell within a satisfactory range of their goal for the Customer Satisfaction Survey results, 2 per cent lower than target. The decrease could be statistical in nature, because there were fewer customers surveyed.

Table 2
ARC Corporate Business Goals, Performance Measures and Projections[ix]

Business Goals	1999 – 00 Actual	2000 – 01 Actual	2001 – 02 Target	2001 – 02 Actual	2002 – 03 Target	2003 – 04 Target	2004 – 05 Target
Economic Impact[x] ($M)	165*	227	230	C	250	300	320
Job Creation[xi] (direct jobs)	807	726	830	C	950	1000	1010
Commercialization Revenue[xii] ($M)	1.7	3.6	7.2	4.8	7.5	8.0	9.0
Customer Satisfaction[xiii]	97.0%	96.8%	97.8%	95.8%	98%	98%	98%

Source: The Alberta Research Council Inc.

C — These figures are currently being calculated; all others for this year are actual numbers.

* — Number corrected subsequent to publication of Alberta Research Council 2000 Annual Report.

Goal 3: Promote effective application of science and research for improving the stewardship of Alberta's resources and environment

Key Performance Measure 1: ARC Growth in Spending on Greenhouse Gas Strategic Initiative. (This measure was discontinued after the 2001 – 2002 fiscal year).

This measure supports the strategy of working on greenhouse gas management through energy production in collaboration with Alberta Environment, Alberta Energy, Climate Change Central, Alberta Agriculture, Food, and Rural Development, and ARC.

Discussion (Table 3): ARC has increased its efforts toward the application of applied research for improving the stewardship of Alberta's resources and environment in the past year. ARC continues in its efforts to improve stewardship of Alberta's resources and environment through applied research. Actual results for 2001 – 2002 are just slightly off target for internal investment due in part to the spin out of two projects into independent program areas, which are not included in these totals. The creation of new, independent programs is an excellent sign of growth for ARC's environmental initiatives. External revenue, as well as the number of partners, projects and persons have exceeded target as interest in these programs grows. This interest has created more projects that are smaller in size.

Table 3
ARC Investment in Greenhouse Gas Strategic Initiative and Projections [ix]

	2001 – 02 Target	2001 – 02 Actual	2002 – 03 Target	2003 – 04 Target
ARC Investment ($ thousands)	1,000	897	750	750
External Contract Revenue ($ thousands)+	4,698	4,767	5,000	6,000
Number of Projects	33	58	33	33
Number of Partners	55	94	60	65
Total ARC Persons Involved ++	14.9	22	22.1	25

Source: Alberta Research Council Inc.

Note: The 2001 – 2004 Business Plan for Innovation and Science reports baseline and historical data for this measure. Due to lack of ARC supporting documentation, however, 1999 – 2000 and 2000 – 2001 actuals will not be included in this Annual Report.

+ Includes consortium projects where ARC is the Program Manager/Coordinator.

++ Full-time Equivalent.

Goal 4: Promote the benefits of science and innovation within Alberta

To foster an "innovation-based" workforce, it is important that Alberta's citizens, school aged students and young adults are aware of opportunities particularly in fields of science, technology and engineering. These fields are clearly linked to national-level growth and change and serve to drive and dominate social and economic trends.

Key Performance Measure: Science Awareness

a) ASRA spending on science awareness/education.

b) Student's perceptions of science and technology as a career choice.

c) Public perception of the benefits of science and innovation.

Discussion:

a) **Table 4:** The Government of Alberta is making efforts towards strengthening Albertan's understanding of the importance of science and research to their long-term prosperity and quality of life as well as supporting government investment in science and research. As table 4 illustrates, Innovation and Science funded a total of $1.66 million to various science and research organizations for the purposes of promoting science awareness and education.

b) Alberta Innovation and Science hosted Science and Technology Week 2001, which celebrated science and technology in Albertans' lives and the provincial economy, and encouraged youth to enter careers related to science and technology. Innovation and Science provided science teachers (K-9) throughout the province with toolkits enabling them to participate in the week, and encouraged families to take part in special activities. With the toolkits, teachers were given a survey[xiv] to complete with students in the classroom prior to, and following Science and Technology Week. The survey assesses student's attitudes towards science and whether they would consider a career in science or technology related fields.

   Of the respondents, 34 per cent of students in grades K to 9 reported that Science and Technology Week activities lead them to consider a career in science or technology

c) Innovation and Science and the Science Alberta Foundation contracted Environics West, an independent research firm, to conduct a public opinion survey. Released in 2001. The survey, entitled "Focus Alberta,"[xv] assessed the attitudes of Albertans towards science, innovation, and research and development in Alberta.

   The results indicated that 95 per cent of Albertans think research conducted at universities and with industry is important or very important to their quality of life. Innovation and Science will work to maintain this high concurrence rate in the future.

Table 4
ASRA Spending on Science Awareness/Education (Dollars)[xvi]

Project Name	Organization	1999 – 2000 Actual	2000 – 01 Actual	2001 – 02 Target	2001 – 02 Actual	2002 – 03 Target	2003 – 04 Target
Science 2010 Computers	Edmonton Space and Science Center	100,000	—	—	—		—
Science Education Outreach	Science Alberta Foundation and Alberta Science Literacy Assoc.	270,000	—	—	—		—
Scibermentor	University of Calgary	—	60,000	**60,000**	**59,750**	59,500	—
Knowledge Community	The Galileo Educational Network Assoc. (U of C)	200,000	200,000	**200,000**	**200,000**	—	—
Science Alberta Foundation	Science Alberta Foundation	750,000	1,300,000	**1,300,000**	**1,300,000**	1,300,000	1,300,000
Science Awareness on Biotechnology	University of Calgary	—	30,000	—	—	—	—
Ecology Connections	University of Calgary	—	—	—	—	34,700	32,200
Science-Outreach Athabasca	University of Athabasca	—	48,000	—	—	—	—
Rothney Astrophysical Observatory	University of Calgary	—	—	—	—	94,000	93,000
Collaborative Space Toys	Banff Centre	—	—	—	—	20,000	20,000
Cosmic Ray Detector System	University of Alberta	—	100,000	**100,000**	**100,000**	100,000	–
Totals		1,320,000	1,738,000	**1,660,000**	**1,659,750**	1,608,200	1,445,200

Source: Innovation and Science, *Strategic Investment Report*

[1]Grants are distributed as one-time payments or over the course of several years.

Goal 5: The Government of Alberta will be a model user in the application of information, knowledge and technology

Key Performance Measure 1: Information and Technology Management (ITM)* Alignment (This measure was discontinued after the 2001 – 2002 fiscal year).

To be a model user in the application of information, knowledge and technology, the Government of Alberta strives for a consistent corporate approach to ITM planning and management across all ministries. The ITM alignment measure reflects the level of adoption of the corporate approach by the ministries.

Discussion (Table 5): The degree of Ministry ITM alignment with major corporate ITM directions and initiatives will be measured through a review of ministry plans. The Office of the Chief Information Officer will base the review on formal evaluation criteria. As table 5 illustrates, since last year, 30 per cent more ministries have adopted and are aligned to Corporate ICT directions from the Office of the CIO, exceeding the target. This office will work to continue progress and meet a target of 95 per cent by 2004 – 2005.

Table 5
Percentage of Ministries Aligned[xvii]

1999 – 00 Actual	2000 – 01 Baseline	2001 – 02 Target	2001 – 02 Actual	2002 – 03 Target	2003 – 04 Target
Not available	58	80	88	90	95

Note that the acronym IMT as used in the 2001 – 2004 Business Plan is an error, and should read ITM.

Source: Innovation and Science, Office of the CIO

Key Performance Measure 2: Common Platform and Tools (This measure was discontinued after the 2001 – 2002 fiscal year).

The "Common Platform and Tools" performance measure is composed of a number of project-specific measures. Each of the corporate projects and initiatives that these measures relate to are contributing to the success of this goal. By adopting a common ITM platform and tools, the government will become a model user in the application of information, knowledge and technology. In particular, use of an enterprise architecture, common standards, and technologies will permit the government to concentrate on a specific ITM direction.

Discussion (Table 6): An enterprise architecture will enable the electronic delivery of government services, by providing a corporate technology framework.

As table 6 indicates, targets for 2001 – 2002 in terms of an enterprise architecture have been met or exceeded.

The model and technical design for implementation was 100 per cent complete. The only exception comes from the Server Optimization project. The technical design and business case for this project were prepared, but the project was deferred pending further development of the ICT model and funding models.

Table 6
Common Platforms and Tools

Item	Percentage Completion 2001 – 02 Target	2001 – 02 Actual
Degree of departmental support and participation in the launch of an on-going Government of Alberta Cross Government Architecture program	100	100 [xxiii]
Development of Cross Government Standards Management Process[xxi]	100	100 [xx]
Development of a Distributed Computer Support Model	100	100
Development of Desktop Standards		
E-Mail	100	100
Hardware Baseline	80	100
Common Software Configuration (Edit; Calendar, Browsers, Virus Protection, etc.)	90	100
Web component standards	90	100
Development of Process Standards		
Data Standards	90	90
Development of Security Standards		
Government-wide Security Policies	100	100
Virus Protection Standards	100	100 [xxii]
Network Protection Standards	100	100
Active Protection/Alerts Standards	85	100 [xxii]
	Percentage Reduction	
Server Optimization (per cent reduction)[xxiii]	20	— [xxiv]

Source: Innovation and Science, Office of the CIO

[i] Formal measures of the value of the Government of Alberta Enterprise Architecture program are being established and will appear in next year's business plan (2002 – 2005).

Goal 6: Effectively manage human capital within the ministry of Innovation and Science

Key Performance Measure: Selected results from the Government of Alberta Core Human Resource Measures 2001 Survey of Employees.

Employee satisfaction is an important indicator of the effectiveness with which human resource capital is managed. It is critical that employees understand how their work contributes to the ministry business plan, that they are satisfied with their work, and have adequate supports to continue their professional development.

Discussion (Table 5): In 2001 – 2002, 88 per cent of Innovation and Science employees were very or somewhat satisfied in their work as a Government of Alberta employee. This exceeds the 85 per cent target for this year. Innovation and Science intends to maintain this outstanding rate of satisfaction through until 2004 – 2005. The results further indicate that 87 per cent of employees knew and understood how their work contributed to the achievement of their department business plan, exceeding the targeted 85 per cent. The increase is most likely due to the maturing of the department,

as Innovation and Science was newly formed in 1999. With each passing year, departmental goals and targets become more clear and are further instilled in the divisional operational plans as well as the individual performance plans.

Results show that 79 per cent of employees agreed that Innovation and Science provides the support they need to acquire or develop knowledge and skills in their current job. Further, 54 per cent of employees indicated that their organization helps them know and understand how well they are performing. These results may be due to the margin of error in the 2001 – 2002 survey. This latest survey conducted with Innovation and Science employees had a sample size smaller than previous years, providing a margin of error that is no greater than +/- 8.5 per cent with a 95 per cent confidence interval. A margin of error no greater than +/- 5 per cent (with a 95 per cent confidence interval) is considered necessary for making inferences about an entire population.

Sixty-two per cent of employees indicated that their organization provides expected outcomes for their work. In 2001 – 2002, when these results were realized, the department implemented the Employee Performance Plan. The performance assessment and management process provides employees and their supervisors regular opportunities to discuss goal setting and achievement, competency development, job performance, developmental learning plans and career goals. It is intended that department-wide use of the process will be reflected as an increase in core measures results in future years.

Government of Alberta 2001 Core Measures Survey included a new question this year asking managers whether they agree or disagree that the employees that they manage have the skills and knowledge to meet the anticipated requirements of their job over the next three years. Eighty per cent of managers agreed.

Table 7
Government Survey of Innovation and Science Employees[xxv]

Measure	1999 – 2000 Baseline	2000 – 01 Actual	2001 – 02 Target	2001 – 02 Actual	2002 – 05 Target
Employees who know and understand how their work contributes to the achievement of their department business plan	84%	77%	85%	87%	90%
Percentage of employees who are very/somewhat satisfied with their employment at Innovation and Science/Government of Alberta	83%	88%	85%	88%	88%
Percentage of employees who agree that Innovation and Science provides the support they need to acquire or develop knowledge and skills in their current job	83%	86%	85%	79%	85%
New Question:[xxvi] Percentage of managers who agree that the employees they manage have the skills to meet the anticipated requirements of their job over the next 3 years	—	—	—	80%	85%
Percentage of employees indicating that their organization provides expected outcomes for their work	66%	68%	85%	62%	85%
Percentage of employees indicating that their organization helps them know and understand how well they are performing	70%	69%	85%	54%	85%

Source: Research Innovations Inc. Topline Frequencies of the Results of the 2001 *Core Human Resources Measures 2001 Survey of Employees of the Government of Alberta.*

Discussion of Indicators

Indicator 1: Natural and Applied Sciences, and Related Occupations (includes scientists, engineers, technologists and technicians)[xxvii]

(This indicator was discontinued after the 2001 – 2002 fiscal year).

Scientists, engineers, technologists and technicians play a critical role in the innovation-based economy as developers of the new ideas, new processes, and new products. A strong human capital capacity in these occupations is one contributor to the growth in the knowledge-intensive economy in Alberta.

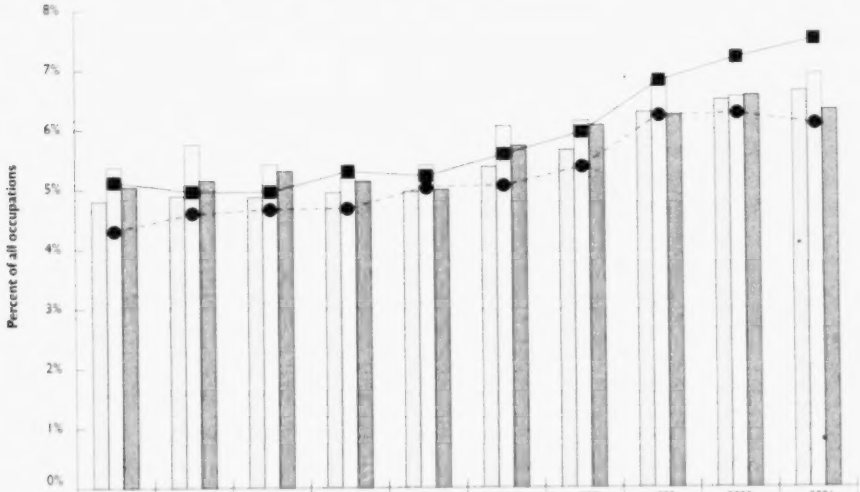
Government funding for science and research is one factor that impacts the number of scientists, engineers, technologists and technicians in Alberta. Other influences include the relative strength of the Alberta economy and the intensity of private sector R&D efforts.[xxviii] As a result, the percentage of the labour force working in the natural and applied sciences and related occupations is not under the direct influence of government efforts and is reported as an indicator of Alberta's overall situation rather than a performance measure for Innovation and Science.

Discussion (Figure 2): As figure 2 illustrates, Alberta held a lead from 1996 to 1999 over Ontario, British Columbia, Québec and the Canadian average in the proportion of those employed in the natural and applied sciences and related occupations. In 2000, however, Alberta lost this lead to Ontario and Québec who employed a greater percentage of people in this sector. The situation is somewhat better in 2001, with Alberta second only to Ontario and taking the lead over Québec, with 6.9 per cent of its labour force employed in natural and applied sciences, and related occupations, compared to 7.5 per cent in Ontario. Since 2000, the gap between Alberta and Ontario has narrowed from 0.66 per cent to 0.58 per cent.

These results indicate a stronger presence of scientists, engineers, technologists and technicians in Alberta for 2001. These knowledge workers are a vital component to Alberta's competitive performance in the knowledge-intensive economy.

Figure 2
Natural and Applied Sciences and Related Occupations

(includes scientists, engineers, technologists and technicians)



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Canada	4.80%	4.89%	4.87%	4.95%	4.96%	5.37%	5.65%	6.28%	6.49%	6.64%
Alberta	5.37%	5.75%	5.42%	5.19%	5.40%	6.05%	6.14%	6.84%	6.54%	6.93%
Quebec	5.04%	5.14%	5.30%	5.13%	4.99%	5.72%	6.06%	5012%	6.56%	6.32%
Ontario	5.12%	4.96%	4.96%	5.30%	5.22%	5.58%	5.95%	6.81%	7.20%	7.51%
BC	4.31%	4.59%	4.67%	4.68%	5.04%	5.06%	5.37%	6.23%	6.26%	6.10%

Source: Statistics Canada 2001 Labour Force Survey. Custom Tabulation

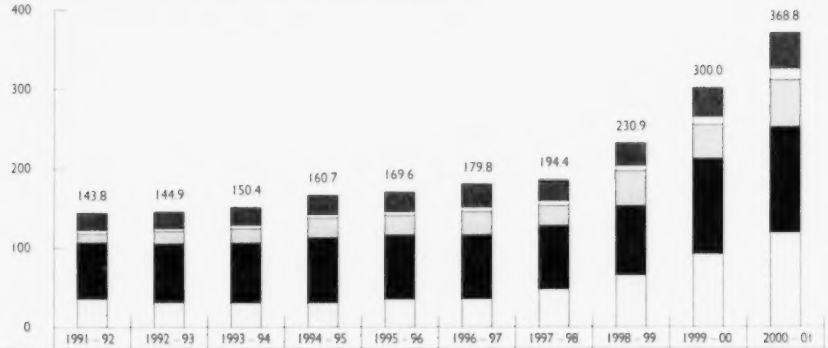
Note: Statistics in this graph were based on the following calculation: [(Workers in the natural & applied sciences & related occupations per province)/(All occupations per province)] x 100.

Indicator 2: Total sponsored[xxix] research funding (overall and by source)

The Alberta government's commitment to research has resulted in attracting matching funding and increasing Alberta's ability to attract R&D investment from private, public, national and international sources. The ability of universities to attract research funding is an indicator of the quality of faculty and research programs. The more funding these institutions can attract, the better able they are to attract and retain world-class researchers. These researchers in turn, attract top graduate students, further enhancing the strength of the workforce supporting Alberta's innovative capacity.

Discussion (Figure 3): Figure 3 shows the increase in total sponsored research seen by Alberta universities. The most notable increase since 1999 – 2000 is the investment made by the Government of Alberta; increasing over 28 per cent in the past year, and more than 80 per cent in the past two years. This has resulted in a 40 per cent increase in sponsored research by Alberta industry. The level of industry investment is an indicator of the increasing relevance and importance of the universities' research effort to the community and business sector.

Figure 3
Sponsored Research at Alberta Universities



	1991 - 92	1992 - 93	1993 - 94	1994 - 95	1995 - 96	1996 - 97	1997 - 98	1998 - 99	1999 - 00	2000 - 01
Total ($millions)	143.80	144.90	150.40	160.70	169.60	179.80	194.40	230.90	300.00	368.77
Provincial	36.00	31.40	30.80	30.80	35.40	35.50	47.70	65.40	92.00	118.50
Federal	70.00	73.10	74.60	81.00	79.80	79.80	79.20	86.20	118.90	131.70
Industry	12.00	16.40	18.60	20.50	25.20	30.00	35.60	44.50	43.10	59.53
Other	4.30	3.10	4.10	4.00	4.60	5.00	6.00	6.40	9.80	14.50
Non-Profit	21.50	20.90	22.30	24.40	24.60	29.50	25.90	28.40	36.20	44.51

Source: University of Alberta, University of Calgary, University of Lethbridge, and Athabasca University.

Indicator 3: R&D Investment

See supplementary measure supporting goal one.

Indicator 4: Business Innovation (proxy indicator)

From *Measuring Up* 2001 – 2002 (This indicator was discontinued after the 2001 – 2002 fiscal year).

Innovation is a process through which economic value is extracted from knowledge. It is through innovation that new products are introduced to markets, new production processes are developed and implemented, and organizational changes are made. Businesses that are innovative are more profitable, create more jobs and fare better in global markets. The Internet is an integral part of the innovation process for the creation, distribution and application of knowledge and information. The new core measure broadens the scope for measuring innovativeness to include all business use of the Internet including e-commerce.

Internet-connectedness allows the exchange and sharing of information as well as relationship building among businesses and with their customers. E-commerce can be viewed as one of many innovative applications of Internet technology to business activities.

New proxy indicator

The new, broader Business Innovation measure was introduced in the *2002 – 2003 Government of Alberta Business Plan*. Data for the measure is obtained from Statistics Canada's Household Internet Use Survey.

Discussion (Table 8): Results of the 2000 survey show that the percentage of Alberta households with at least one member who uses the Internet at work was 36 per cent, up from 28 per cent in 1999. Alberta has had the highest percentage of households that use the Internet at work among the provinces since 1997.

Table 8
Percentage of Households Using the Internet at Work (2000)

Alberta	BC	Ontario	Québec
36.1	26.2	30.9	21.1

Source: Statistics Canada, Household Internet Use Survey 2000, Cat. No. 56M0002XCB.

Indicator 5: Community Involvement — Use of SuperNet

As development of Alberta SuperNet continues, it has been determined that this measure should no longer be pursued as a suitable method of assessment. Alternatively, as baselines are being developed, it will be possible to measure the percentage of Albertans with availability to high-speed Internet as well as the number of government programs/services provided to Albertans. This new measure is included in the 2002 – 2005 Business Plan and will be reported on in the 2002 – 2003 Annual Report.

Indicator 6: Research Investment

(This indicator was discontinued after the 2001 – 2002 fiscal year)

Growing Alberta's innovation-based economy is a challenging but achievable objective. In an innovation-based economy, investment in science and R&D is the primary driver of business growth and success.

Table 9
Direct Leveraging by Strategic Theme for Ongoing Projects in 2000 – 2001 and 2001 – 2002*

Strategic Theme	ASRA Contribution Funding** ($ millions)	Partner Contributor Funding*** ($ millions)	Total ($ millions)	ASRA Contribution as a percentage of the Total	Total Research $ per $1 from ASRA (dollars)
Energy	46.4	176.1	222.5	20.9%	4.8
ICT	30.3	51.1	81.3	37.2%	2.7
Life Sciences	57.3	57.1	114.3	50.1%	2.0
Multiple Themes	18.6	21.3	39.9	46.6%	2.1
Total	**$152.6**	**$305.5**	**$458.1**	**33.3%**	**$3.0**

Source: Finance Division, Innovation and Science

*Leveraging information for projects entered into over a two year period provides a better indication of the long term trends in leveraging than any single year of data. Many projects are funded over multiple years.

**Excludes grant funding to iCORE Inc. and Alberta Research Council Inc.

***This includes federal sources, industry, and Alberta universities and associations.

Discussion (Table 9): The table above reports the average of 2000 – 2001 and 2001 – 2002 results for the total ASRA contributions and partner contributions to projects that were ongoing during this time period. During 2000 – 2001 and 2001 – 2002, for each dollar of ASRA investment, ASRA leveraged a total of $4.80, $2.70, and $2.00 for research projects in energy, ICT, and life sciences respectively. This is a good indication of the success ASRA is having in attracting R&D funding from other sources, and therefore enhancing the contributions of science and research to the sustainable prosperity and the quality of life of all Albertans.

Future Challenges

Measuring performance within the knowledge-intensive economy continues to be a challenge for Alberta as well as for many other jurisdictions. Innovation and Science continues to seek and develop improved measures and indicators to gauge the ministry's performance in achieving its goals. The ministry's 2002 – 2005 Business Plan introduces new measures for the ministry and incorporates some of the same performance measures as the 2001 – 2004 Plan. In this new plan, several new measures are introduced as a result of refinements to previous measures. For example, all measures related to the Alberta SuperNet project have been refined as the implementation schedule was finalized. Overall, the new plan contains a wider range of performance measures that will provide a broad context for assessing ministry performance. As the ministry's role evolves, there will likely be some modifications in the business plan but major revisions are not anticipated over the next few years.

Discussion of Financial Performance

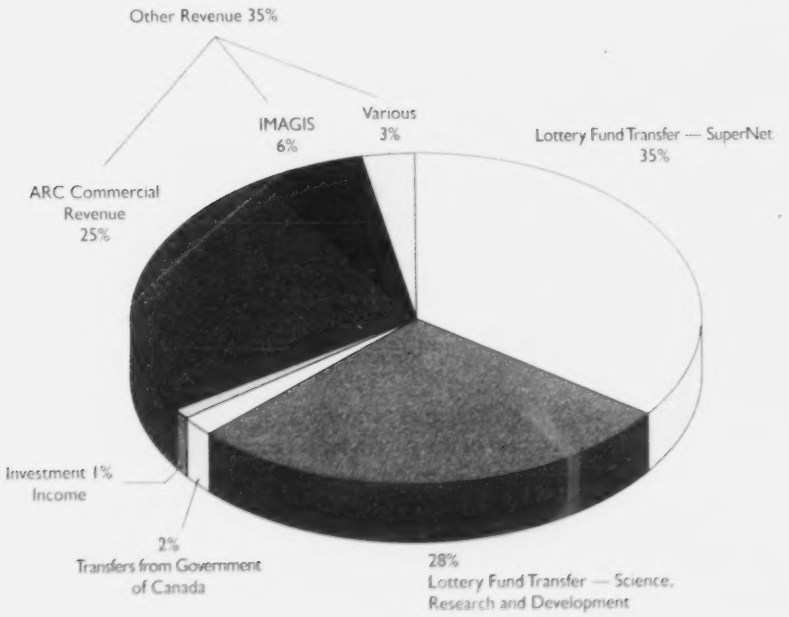
Financial results of the Ministry of Innovation and Science for the year ended March 31, 2002 include the activities of the Department of Innovation and Science and the Alberta Science and Research Authority. More detailed information can be found in the Ministry's financial statements (pages to 53 to 170).

	(In thousands)		
	2002 Budget	2002 Actual	2001 Actual
Revenue			
Internal Government Transfers — Lottery Fund	$ 90,838	$ 90,838	$ 40,832
Transfers from Government of Canada	1,125	2,386	2,306
Investment Income	390	752	844
Other Revenue	52,459	50,144	63,822
	144,812	144,120	107,804
Expenses by Core Business			
Science, Research and Development	144,684	137,430	146,163
Government Information Technology	97,476	50,754	62,725
	242,160	188,184	208,888
Ministry Support Services	4,335	4,188	4,205
	246,495	192,372	213,093
Valuation Adjustment — Provision for Vacation Pay	—	382	309
Loss on Disposal of Capital Assets	—	414	10
Net Operating Results	$ (101,683)	$ (49,048)	$ (105,608)

Revenues

Sources of Revenue

Total Revenue: $144.1 million


Other Revenue 35%
IMAGIS 6%
Various 3%
Lottery Fund Transfer — SuperNet 35%
ARC Commercial Revenue 25%
Investment 1% Income
2% Transfers from Government of Canada
28% Lottery Fund Transfer — Science, Research and Development

Revenue for the Ministry of Innovation and Science totaled $144.1 million for 2002, as follows:

- $90.8 million was received through an internal government transfer from the Lottery Fund; $50.0 million for operating expense and capital investment related to the Alberta SuperNet Initiative and $40.8 million for science, research and development initiatives.
- $2.4 million in transfers from the Government of Canada primarily for the provision of research work by the Alberta Research Council.
- $0.8 million in investment income due to interest earned on bank accounts of the Alberta Science and Research Authority and the Alberta Research Council.
- $50.1 million in Other Revenue as follows:
  - $36.6 million in contract revenue for the Alberta Research Council from the provision of research work. This includes $33.9 million from private sector clients and $2.7 million from other ministries.
  - $8.9 million in revenue for the provision of IMAGIS (cross-government financial and human resource applications) to government departments and agencies on a charge-back basis.
  - $4.6 million in other income (e.g., energy technology/production sales).

Comparison of 2002 Actual to Budget

Revenues were $0.7 million lower than budgeted primarily due to a $5.5 million decrease in contract revenues received by the Alberta Research Council. This decrease is partially offset by increases totaling $4.8 million as follows:

- $1.3 million increase in transfers from the Government of Canada for research conducted by the Alberta Research Council.
- $1.2 million in Previous Year Refunds (unused grants returned to ASRA).
- $0.7 million increase in revenue received from energy research initiatives.
- $0.6 million increase in revenues from the charge-back of IMAGIS costs to government departments and agencies.
- $1.0 million increase in various other revenues (e.g., interest on bank account).

Comparison of 2002 Actual to 2001 Actual

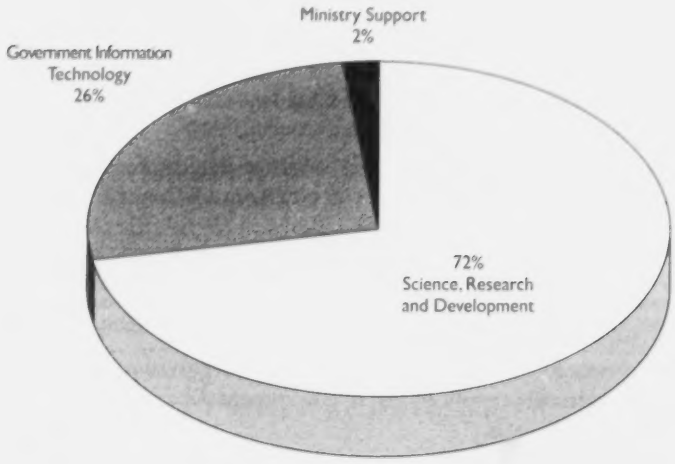
Revenues for the Ministry increased $36.3 million over 2001, as a result of:

- $50.0 million increase in Lottery Fund allocations for the SuperNet initiative that began in 2002.
- $13.7 million decrease in other revenues primarily due to the transfer of responsibility for the operation of the government's mainframe computer operations from Innovation and Science to the Alberta Corporate Service Centre in 2002. These services are provided on a chargeback basis to government departments and agencies.

Expenses

Expenses by Core Business

Total Capital Investment: $192.4 million



Expenses for the Ministry of Innovation and Science totaled $192.4 million for 2002, as follows:

- $137.4 million of the Ministry's expenses relate to Science, Research and Development, consisting of:
  - $131.8 million for Alberta Science and Research Authority grant programs, including:
    - $64.2 million for the Alberta Research Council

  - $38.8 million for university research, including $21.4 million for the Research Investments Program, $13.9 million for Strategic Research Initiatives and $3.5 million for the Research Excellence Envelope.
  - $9.7 million for the Alberta Agricultural Research Institute.
  - $9.0 million for the Alberta Energy Research Institute.
  - $5.8 million for the Alberta Informatics Circle of Research Excellence (iCORE).
  - $2.3 million for Technology Commercialization Initiatives.
  - $2.0 million for the Alberta Forestry Research Institute.
- $5.6 million for program delivery support.

- $50.8 million for Government Information Technology, consisting of:
  - $22.5 million for the delivery of cross government telecommunications services.
  - $15.7 million for the delivery of cross-government information technology services.
  - $8.9 million for the delivery of IMAGIS (cross-government financial and human resource applications).
  - $2.1 million in community development and transition costs for Alberta SuperNet.
  - $1.6 million for the Office of the Chief Information Officer.
- $4.2 million for Ministry Support Services including Minister's Office, Deputy Minister's Office, Policy Development and Coordination, Finance, Human Resources and Communications.

Comparison of 2002 Actual to Budget

Expenses were $54.1 million lower than budgeted primarily due to:

- $37.0 million reallocation from Operating Expense to Capital Investment for the construction portion of the SuperNet initiative. SuperNet was initially budgeted as a network jointly funded by the Alberta Government and Bell Intrigna (now Bell West). Bell West would hold title to the asset and provide the Government with a right of use in proportion to its contribution to capital costs. Since this time, the agreement with Bell West Inc. has been modified and the Alberta Government will now own assets in the Extended Network, as these will be purchased with its contribution. As a result, the Government's contribution is expended as a capital investment for 2002.
- $11.5 million in planned spending reductions and deferrals to meet Alberta Government spending reduction targets in 2002.
- $3.9 million decrease in iCORE spending. Approximately $3.9 million in funds were advanced in 2002 with the corresponding expense recorded in future years as conditions are met.
- $3.8 million decrease in spending for the Alberta Research Council (ARC) is primarily due to lower than anticipated levels of contract research activity. This decrease offsets a corresponding decrease in ARC's contract research revenues.

Comparison of 2002 Actual to 2001 Actual

Expenses were $20.7 million lower than in 2001 due to decreases totaling $28.0 million offset by increases totaling $6.4 million, as follows:

- $14.1 million decrease in spending on Information Technology Services primarily as a result of the transfer of responsibility for the operation of the government's mainframe computers from Innovation and Science to Alberta Corporate Service Centre in 2002. These services are provided on a charge-back basis to government departments and agencies.
- $10.0 million decrease in spending by the Alberta Science and Research Authority from 2001 to 2002 as a result of a one-time budget increase in 2001 approved by Treasury Board. This increase was primarily allocated to increased spending on the Alberta Science and Research Investments Program and Strategic Research Initiatives in 2001.
- $3.9 million decrease in spending due to timing of recognizing grant expenses for iCORE.
- $4.3 million increase in spending by the Alberta Research Council primarily due to higher levels of contract research activity in 2002. This is entirely offset by a growth in contract research revenues.
- $2.1 million increase in spending for the Alberta SuperNet Initiative. 2002 is the first year of this three-year Initiative.

Capital Investment

(In thousands)

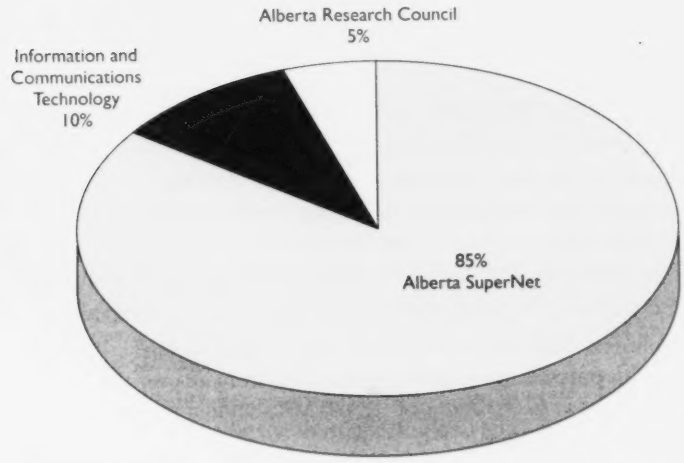
	2002 Budget	2002 Actual	2001 Actual
Capital Investment			
Ministry Support	$ —	$ 102	$ —
Alberta SuperNet	—	38,994	—
Information and Communications Technology	8,012	4,813	7,496
Alberta Research Council Inc.	3,881	2,188	2,898
	11,893	46,097	10,394

Capital Investment for the Ministry of Innovation and Science totaled $46.1 million for 2002, as follows:

- $39.0 million for the Alberta SuperNet Initiative.
- $4.8 million for Information and Communications Technology (e.g., computer hardware and software, telecommunications equipment).
- $2.2 million for the Alberta Research Council (e.g., research equipment).

Capital Investment by Program

Total Capital Investment: $46.1 million



Comparison of 2002 Actual to Budget

Capital Investment spending was $34.2 million higher than budgeted as a result of a $37.0 million reallocation from Operating Expense to Capital Investment related to the Alberta SuperNet Initiative. The Alberta Government will own assets in the Extended Network as these will be purchased with its contribution. As a result, the Government's contribution is expended as a capital investment for 2002. This increase is partially offset by:

- $1.7 million reduction in capital spending by the Alberta Research Council.
- $1.2 million decrease in Information and Communications Technology capital due to planned deferrals to meet spending reduction targets for 2002 and lower than anticipated requirements for information technology systems and equipment.

Comparison of 2002 Actual to 2001 Actual

Capital Investment spending was $35.7 million higher than in 2001 as a result of $39.0 million in spending for the construction of the Alberta SuperNet network. 2002 is the first year of this three-year initiative. This increase is partially offset by:

- $2.7 million decrease in Information and Communications Technology capital due to planned deferrals to meet spending reduction targets for 2002 and lower than anticipated requirements for information technology systems and equipment.
- $0.7 million reduction in capital spending by the Alberta Research Council.

Alberta Heritage Foundation for Medical Research (AHFMR)

Key Activities/Outcomes for 2001 – 2002

Goal 1: To Maintain International Standards of Excellence Through an Appropriate and Effective Peer Review System.

- As of March 31, 2002, 218 AHFMR funded researchers and 301 researchers-in-training are supported at the University of Alberta, the University of Calgary, and the University of Lethbridge.
- Additional mental health and health services researchers receive funding through Alberta Health and Wellness's Health Research Fund, administered by AHFMR.
- All awards to personnel are made according to the highest international criteria for excellence. To fulfil this purpose, more than 450 reviewers from all over the world provide us with their reviews or sit on one of 12 AHFMR standing review committees for awards competitions.

Goal 2: To manage expenditures to ensure the continuance of AHFMR for future generations while avoiding significant fluctuations in annual spending.

- The AHFMR Endowment was created in 1980 with $300 million. As of March 31, 2002, the AHFMR Endowment has more than tripled.
- The cumulative AHFMR investment in the province for biomedical and health research since 1980 now totals over $700 million.
- AHFMR has quarterly meetings with Alberta Revenue, as well as annual meetings between Revenue and AHFMR's Board of Trustees. Alberta Revenue manages AHFMR's endowment.
- Transfers from the endowment were $55 million during 2001 – 2002.

Goal 3: To maintain and strengthen basic research in order to discover the underlying causes of disease and provide a foundation for patient and health research, the practice of medicine and prevention of disease.

- For the competition year 2001 – 2002, new awards granted over the next five-year period in various areas of medical research totalled $45 million to 62 researchers.
- Key basic research accomplishments include: discovery of insulin producing cells in the gut, ongoing studies related to the risk of pesticide use in farming, advances in stroke treatments, new ways to test and develop Hepatitis C drugs, discovery of a new pain receptor which will open the door for new drugs to treat pain, development of yeast models to study disease, advances in viral therapies to treat cancer, and advances in multiple sclerosis research.
- $8.3 million was awarded to 15 health researchers working in such areas as: ethics of genetic research; language difficulties in bilingual children; the real cost of addictions; ethnicity, gender and cardiovascular disease; and a device to help emphysema sufferers sleep.

Goal 4: To expand AHFMR support of patient-based and health research in Alberta and lead new initiatives in these areas.

In fall of 2000, AHFMR entered a second five-year contract with Alberta Health and Wellness called the Health Collaboration Agreement. Progress in this agreement can be described by the following:

- For the competition year 2001 – 2002, the recipients of the Health Research Fund awards have not yet been determined. The Health Research Fund is administered by AHFMR on behalf of Alberta Health and Wellness. Twenty researchers conducting on-going projects approved in last year's competition were supported. Research projects funded in 2001 include: assessing a common tool used to gauge when people can return to work after back injury; determining the five-year outcomes of an early intervention in schizophrenia; pesticides and the long-term health of farmers; use of a provincial database to determine the health effects of a diabetes drug; methods to help borderline personality patients benefit from group therapy; determining the medical costs of caring for low birth weight babies from birth to early school years.
- AHFMR's Health Research Agenda, developed in March 1997, continues to guide AHFMR in allocating the most effective and efficient support for health research activity throughout the province.
- AHFMR's Health Technology Assessment (HTA) Unit produced assessments and reports which comprised of the following: Accuracy and reliability of using computerized interpretation of electrocardiograms for routine examinations, *January 2002*; Efficacy of suicide prevention programs for children and youth, *January 2002*; AHFMR Screening Procedure for Use when Considering the Implementation of Health Technology, *April 2001*; Priority setting in health care: from research to practice, *January 2002*.
- Eight Technotes on the following topics were completed: Keratoprosthesis for the treatment of severe bilateral cornea disease, *April 2001*; Cyclosporine for the treatment of aplastic anemia, *November 2001*; Cyclosporine for pure red cell aplasia, *November 2001*; Prosorba treatment for rheumatoid arthritis, *November 2001*; Profore compression bandage treatment of venous leg ulcers, *December 2001*; Efficacy and/or effectiveness of spirometry and forced oscillation technique in the diagnosis of childhood asthma, *January 2002*; Metal-on-metal hip resurfacing for young, active adults with degenerative hip disease, *March 2002*; Surgical treatment for chronic venous insufficiency, *March 2002*.
- Eight information papers were completed on the following topics: Health Technology Assessment on the Net: a guide to Internet sources of information (ongoing project), most recent version, *May 2001*; Decisions on the status of health technologies, *April 2001*; Overview of the regulation of acupuncture in Alberta, *May 2001*; Horizon scanning for health technologies relevant to Alberta, *May 2001*; Accomplishments of the Health Technology Assessment Unit — 1995 – 2000, *May 2001*; Nursing skill mix and health care outcomes, *December 2001*; Uncomplicated senile cataract surgeries in Alberta, *December 2001; A* study of the impact of 2000 – 2001 HTA products, *January 2002*; Application of an assessment framework to an evolving telemental health program, *February 2002*.

- AHFMR consolidated several health research programs under the newly created Applied Health Research Program that is responsible for delivery and support of programs intended to increase capacity across the health care delivery system for the production and use of locally relevant research. This portfolio includes Swift Efficient Application of Research in Community Health (SEARCH), Community Research Ethics Review Board (CREBA), and grants supporting practice-based research and dissemination, such as the Alberta Consultative Health Research Network (ACHRN), and the Alberta Family Practice Research Network (AFPRN). The Foundation is in a leadership position nationally in ensuring the maintenance of international standards of excellence in research ethics, through pioneering CREBA, a community-based ethics board, and working in collaboration with other boards to determine definitions of "research."
- In 2001 – 2002, the Research Transfer Network of Alberta was also established.
- Fourteen new health researchers received independent investigator awards such as the Population Health Investigator, Scholar or Senior Health Scholar. This brings the total of investigators supported in health research to 37.

Goal 5: To maintain research education and training programs and encourage young Albertans to pursue research careers.

- Over $6 million was awarded in fellowships, clinical fellowships, studentships and summer studentships to more than 450 researchers in training.
- An AHFMR-led collaboration of the Universities of Alberta and Calgary, Alberta Health and Wellness, Alberta Mental Health Board, and the 17 Regional Health Authorities (RHAs), resulted in the launch of the third community health research training program called Swift Efficient Application of Research in Community Health (SEARCH III). The $1 million, AHFMR-funded program is training 28 participants in tailor-made, intensive modules. The participants are linked in a province-wide computer network and are involved in individual and group projects based on health needs prioritized by their regions. Information from the research projects will help regions make evidence-based budget and program decisions. Priority themes for group projects include: continuing care, primary care, performance indicators, human resource planning and resource allocation. Potential project topics include: workload measurement in public health, prevention of violence against mental health workers, outcomes of specialized geriatric in-patient units, and issues in the prevention of Hepatitis C.
- AHFMR offered the second Heritage Youth Research Summer (HYRS) Program in 2001 which gave 42 of the brightest high school students summer research experience working and learning in Heritage and other labs at the Universities of Calgary, Alberta and Lethbridge.

Goal 6: To encourage increased collaboration in Alberta, Canada, and elsewhere among investigators, research institutions, governments, other granting agencies and the private sector.

- AHFMR's President and CEO was part of the Management Team which successfully guided the start-up of the new Alberta Foundation for Science and Engineering Research, now known by its trademark name of Alberta Ingenuity Fund.
- AHFMR held the second annual Research Awareness Day lecture series for the public at the University of Alberta and University of Calgary.
- AHFMR contributed to the Canada Research Chairs through stipend and infrastructure funding contributions ($2.5 million over five years) based on amounts funded by Canada Foundation for Innovation and other partners.
- AHFMR awarded 45 conference and workshop grants to university personnel.
- AHFMR awarded 12 travel and visiting lecturer grants to health personnel in RHAs and the broader health community.
- AHFMR senior staff participated in the Governance/Boards/Committees of the Canadian Institutes for Health Research, National Institute for Nutrition, National Cancer Institute of Canada, Institute of Health Economics, Alberta Science and Research Investment Program, Canadian Health Services Research Foundation, and the Canada Foundation for Innovation.
- AHFMR participated in and sponsored several workshops and events and contributed to the development of a province-wide network of linkage and exchange in applied health research and its use in decision-making (e.g. HTA workshops and conferences. SEARCH Faculty reception, managers workshops, network workshops, Receptions for RHA staff etc), AHFMR is working with the CHSRF, HSURC and other organizations in developing models for research transfer capacity in health organizations.

Goal 7: To continue to promote the development of medical research-related economic activities in Alberta, including the commercialization of innovations.

- The Technology Commercialization (TC) Program committed $1.6 million in project and internship funding during the year. Mentoring and access to expertise for applicants were key areas of program development during the year leading to the launch of the ForeFront Program, an additional component to TC.
- AHFMR participated in and sponsored several TC workshops and forums and contributed to the development of a province-wide TC infrastructure through participation in the Alberta Technology Commercialization Network. We continue to develop in depth case studies of previously funded projects for use in TC workshops and educational forums.
- AHFMR's TC program participated in the planning for the InnoCentre program in Alberta and committed $750,000 in funding.
- Investment in TC at an early stage is a long-term investment. TC released *Charting Progress*, a report on its evaluation of 120 TC funded projects in six areas of project performance: advancement of technology, increased employment, strengthened infrastructure, attraction of additional funding, generation of revenue and gaining of knowledge and training in TC.

Goal 8: To maintain and improve communication with the public, Government, the research community, universities, and health-related institutions

- AHFMR publications included the quarterly magazine *AHFMR Research News*, the AHFMR Community Report (with financial highlights), and Health Technology Assessment Reports.
- AHFMR web site is continually monitored and maintained for currency.
- AHFMR monthly news bulletins to MLAs were produced.
- AHFMR media work highlights research accomplishments of funded personnel on a monthly basis.
- AHFMR distributed its Community Report in the form of a 2002 calendar through three daily newspapers, the waiting rooms of all physicians in the province and to those on a 5000-name mailing list.
- AHFMR supported two science students as media fellows, one with The Edmonton Journal in Edmonton, the other with CBC radio in Calgary.
- AHFMR offered the second HYRS Program for the summer of 2001 with an increase of positions from 30 to 42. The program gave Grade 11 students from around the province research experience in the labs of Heritage and other scientists.
- AHFMR supported the placement of a grade 11 student in the lab of a Heritage researcher at the University of Alberta for the U of A's Women in Science, Engineering, Scholarship and Technology summer training program.
- AHFMR supported the Alberta Science Fair program with prize money for seven regional winners.
- AHFMR participated in and was a major sponsor of the Alberta Teachers Association Science Council Conference in October, with AHFMR funded researchers as guest speakers.
- AHFMR sponsored the Science and Technology category in the YWCA's Women of Distinction awards.
- AHFMR presented, in collaboration with the U of A and University of Calgary Faculties of Medicine, a day-long series of lectures on popular health topics for the public at each university in October.

Goal 9: To develop a mechanism for the continuing review and updating of the AHFMR Strategic Plan and for setting priorities.

- AHFMR's Board of Trustees meets quarterly to review planning and directions.
- AHFMR's Board of Trustees and senior management met in September for a strategic planning session.
- An International Board of Review (which AHFMR is legislated to organize every six years) met in October of 1998, releasing a Report in December that reviewed AHFMR's activities and recommended directions.
- AHFMR's Board of Trustees oversaw a consultation process beginning in January of 2002 to gather advice and opinions for future planning in such key areas as: research environment, opportunities for research investment, and assessment of Alberta's competitiveness internationally.

Key Factors Affecting Performance

AHFMR performance is based on its primary function of funding research. The number of proposals submitted and quality of applications is a main determining factor in any of the competitions for awards. Since AHFMR works in partnership with the province's universities to recruit and pay salaries of researchers, initiatives on the part of the universities play a large part in recruiting the best and brightest researchers to Alberta. Alberta Regional Health Authorities are key contributors to the development of health research capacity throughout the province through their endorsement, support of, and contribution to, the SEARCH program and other AHFMR applied health research initiatives. In 1998, an International Board of Review endorsed AHFMR's directions and activities and confirmed AHFMR's seminal role in the province in establishing and continuing to build a first-class research community.

Anticipated Changes or New Directions

The establishment, over the past 22 years, of a top quality research community and brain trust in Alberta is attracting funding from outside sources at a rate of $2 – 3 dollars for every AHFMR dollar invested. AHFMR seeks out and initiates new opportunities for matching funding and for collaborative ventures with other provincial and national funding bodies. AHFMR also seeks out opportunities to expand its research portfolio and close the gap between health research results and medical innovations and their application to improve the effectiveness of the health system.

Changes Needed to Measure Performance

Currently, universal mechanisms for measuring comprehensive, overall performance in medical and health research and the impact of that research in socioeconomic terms do not exist. AHFMR carefully tracks the usual scientific metrics of publications, citations and career performance. Other measures, such as case studies are highlighted in AHFMR's publications. AHFMR actively seeks opportunities that would assist in measuring the impact of investment on research. AHFMR has created an Impact Analysis unit at AHFMR to determine appropriate methodology to gauge the impact and effectiveness of AHFMR's activities.

Alberta Heritage Foundation for Science and Engineering Research (Alberta Ingenuity Fund)

Key Activities/Outcomes for 2001 – 2002

Alberta Ingenuity Fund is the tradename of the Alberta Heritage Foundation for Science and Engineering Research, established by the Government of Alberta in 2000, with an Act of Legislation that provided an endowment of $500 million. Alberta Ingenuity's long-term commitment is to fund innovative science and engineering research being conducted by top researchers in academia and industry.

Goal 1: To maintain and strengthen fundamental research in science and engineering and encourage application of innovative discoveries.

- Alberta Ingenuity nurtures the discovery of new knowledge and encourages its application through support of a range of research (basic to applied) in diverse areas such as telecommunications, cell biology, environmental engineering, agriculture, and geophysics. The organization looks closely, on an ongoing basis, at how best to balance support of science and engineering research in both academia and industry.
- Specific activities included running competitions for three major grant programs for the first time. Additionally, funding was awarded in two competitions for a fourth grant program. All of these programs fund/will fund research, researchers and researchers-in-training at post-secondary institutions and/or private industries in Alberta.
- Alberta Ingenuity also created initiatives to encourage future participation of the private sector in grant competitions.
- Alberta Ingenuity created initiatives to enhance its corporate profile among, and build relationships with, academia, industry, and the general public.

Goal 2: To establish a funding instrument that will impact prosperity and quality of life in Alberta.

- A recommendation by Ingenuity's international advisory council to focus the majority of funding on research where Alberta has established strengths and a critical mass of researchers in areas that could benefit Albertans prompted the establishment of an Ingenuity Centre program.
- A Call for Letters of Intent was sent out and a select number of these letters chosen for development into full proposals for consideration in the first competition which closed in fiscal year 2001 – 2002.

Goal 3: To enhance innovation in the private sector.

- Industrial organizations were invited through one-on-one contact and a targetted advertising campaign, to take part in the first Ingenuity Associateship competition.

- Alberta Ingenuity is a founding member of Innocentre Alberta (ICA) and is committed to sponsoring ICA for the next five years. ICA provides mentoring, marketing, and support to start-up companies.

Goal 4: To champion science and engineering research in the community.

- Alberta Ingenuity is an ASTech (Alberta Science and Technology Leadership Awards Foundation) patron and sponsor of the APEGGA (Association of Professional Engineers, Geologists and Geophysicists of Alberta) Research Excellence Award. Alberta Ingenuity also sponsors the Science and Technology category of the Edmonton YWCA's annual "Tribute to Women of Distinction" Awards.

Goal 5: To implement and maintain relentlessly first class grant programs.

- Many researchers in provincial and national post-secondary institutions were consulted about Ingenuity's grant programs, provided their reviews, or sat on peer review committees for awards competitions.
- Ingenuity ran two Studentship competitions and awarded funding to 40 students who are currently gaining research training at the Universities of Alberta and Calgary.
- Ingenuity ran its first Establishment Grant competition. The program provides support for lab start-up costs to independent researchers newly-recruited to Alberta or who have returned here to work.
- Ingenuity ran its first Associateship program. The program helps universities and colleges, and private companies expand their science and research capacity by providing support to recent Ph.D. graduates.
- Ingenuity ran its first competition for Ingenuity Centres, its flagship program. The Centres will focus on research relevant and beneficial to Albertans.

Goal 6: To encourage young people to seek careers in science and engineering.

- Ingenuity continued to sponsor science and engineering camps for Alberta school students at the Universities of Alberta and Calgary and in Grande Prairie. A weekly science program geared toward adults and school children that runs on provincial radio was also funded.

Goal 7: To be responsible stewards of the endowment and manage expenditures effectively.

- The Trustees continued to work with Alberta Treasury to develop spending guidelines based on the outlook for endowment performance and financial market conditions.

Goal 8: To raise the profile of Alberta Ingenuity among key stakeholders.

- Information on Alberta Ingenuity is provided through an annual report, enhanced website, postcards, and bi-monthly news bulletins. Sponsorship of community, industry, and youth education related initiatives were also provided. Targeted media work highlighted the research that Ingenuity supports.

Key Factors Affecting Performance

Alberta Ingenuity obtained stakeholder input prior to the running of its grant program competitions. Time was needed to help ensure that the guidelines and application process suited community needs.

Anticipated Changes and New Directions

Ingenuity is continuing to work with stakeholders to further ensure that its grant program guidelines and application process suit their needs. Additionally, Ingenuity will consult with industry to design innovative programs that will facilitate quality research in the industrial setting.

Alberta Ingenuity will launch its first Ingenuity Centres (the organization's flagship program) in Fall 2002. As well, Ingenuity will continue to implement funding and run more grant program competitions.

Changes Needed to Measure Performance

As a new organization, Ingenuity is setting up its programs to measure their effectiveness in the short and long terms. Measurement will include the organization's ability to recruit and retain excellent researchers in the province, and the effects Ingenuity support will have on industry who participate in grant programs (i.e. through new Intellectual Property, inventions, and innovations). Additionally, Ingenuity will track new investments and research/business partnerships from Alberta and outside sources in Alberta research that may be attracted by Ingenuity support.

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MINISTRY OF INNOVATION AND SCIENCE

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FOR THE YEAR ENDED MARCH 31, 2002

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AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Innovation and Science as at March 31, 2002 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry of Innovation and Science is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policies that are exceptions from Canadian generally accepted accounting principles:

Capitalization of Assets

Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as assets in the accompanying consolidated statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of operations. In my opinion, an amount of approximately $3,241,000 representing the net book value of the assets as at March 31, 2002, should be recognized as capital assets. The effect of this understatement of capital assets is to understate expenses by approximately $108,000 for the year ended March 31, 2002.

Recording of Expenses

In the previous year, an expense was recorded by the Ministry for services to be received in fiscal 2001-02 and 2002-03. Generally accepted accounting principles require that expenses be recorded in the period in which the services are rendered. As a result, assets at March 31, 2002 and expenses for the year then ended are both understated by $955,426.

In my opinion, except for the effect of the matters discussed in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CA
Auditor General

Edmonton, Alberta
May 23, 2002

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
REVENUES (Note 2 and Schedules 3 and 4)			
Internal Government Transfers	$ 90,838	$ 90,838	$ 40,832
Transfers from Government of Canada	1,125	2,386	2,306
Investment Income	390	752	844
Other Revenue	52,459	50,144	63,822
Total REVENUES	144,812	144,120	107,804
EXPENSES- Directly Incurred (Note 2 and Schedules 3 and 4)			
Program			
Alberta Science and Research Authority (ASRA)			
Alberta Agricultural Research Institute	8,900	9,732	8,670
Alberta Energy Research Institute	8,900	8,963	8,104
Alberta Forestry Research Institute	1,450	2,012	2,226
Alberta Research Council Inc.	68,023	64,168	59,899
iCORE Inc.	10,000	5,845	10,004
Research Investments Program	25,000	21,462	22,545
Strategic Research Initiatives	10,897	13,856	21,743
Research Excellence Envelope	3,500	3,500	3,500
Technology Commercialization Initiatives	2,350	2,277	2,939
Operations and Policy Development	5,664	5,615	6,533
Office of the Chief Information Officer	1,820	1,589	1,563
Information Technology Services	45,656	47,111	61,162
Alberta SuperNet	50,000	2,054	-
Ministry Support Services	4,335	4,188	4,205
Total Program Expenses	246,495	192,372	213,093
Other Expenses			
Valuation Adjustment - Provision for Vacation Pay	-	382	309
Total Other Expenses	-	382	309
Total EXPENSES	246,495	192,754	213,402
OTHER			
Loss on Disposal of Capital Assets	-	414	10
Total OTHER	-	414	10
NET OPERATING RESULTS	$ (101,683)	$ (49,048)	$ (105,608)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2002

(In thousands)

	2002	2001
ASSETS		
Cash (Note 4)	$ 19,397	$ 14,086
Restricted Cash	896	756
Marketable Securities (Note 5)	151	177
Advances (Note 6)	3,900	-
Accounts Receivable (Note 7)	17,827	14,254
	42,171	29,273
Long Term Investments (Note 8)	429	250
Capital Assets (Note 9)	83,690	50,951
	$ 126,290	$ 80,474
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 27,901	$ 26,740
Holdback Liability	3,769	653
Unearned Revenue	3,316	4,951
Deferred Contributions (Note 10)	896	756
Current Portion of Long Term Debt (Note 11)	395	390
	36,277	33,490
Long Term Debt (Note 11)	1,555	1,956
Accumulated Provision for Project Abandonment (Note 12)	1,467	1,469
	39,299	36,915
NET ASSETS		
Net Assets, Beginning of Year (Note 3)	$ 43,559	$ 57,698
Net Operating Results	(49,048)	(105,608)
Net Transfers from General Revenue	92,480	91,469
Net Assets, End of Year	86,991	43,559
	$ 126,290	$ 80,474

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
OPERATING TRANSACTIONS		
Net Operating Results	$ (49,048)	$ (105,608)
Non-Cash Items:		
Amortization of Capital Assets	7,765	9,765
Loss on Disposal of Capital Assets	414	10
Gain on Sale of Marketable Securities	-	(519)
Valuation Adjustments	382	309
Purchase of Marketable Securities	(105)	(356)
Proceeds from Sale of Marketable Securities	131	599
	(40,461)	(95,800)
Increase in Advances	(3,900)	-
Increase in Accounts Receivable	(3,573)	(1,522)
Increase in Accounts Payable and Accrued Liabilities	779	2,824
Increase in Holdback Liability	3,116	229
Decrease in Unearned Revenue	(1,635)	(1,938)
Increase in Deferred Contributions	140	756
Decrease in Promissory Note	-	(281)
Increase in Current Portion of Long Term Debt	5	54
Decrease in Accumulated Provision for Project Abandonment	(2)	(719)
NET CASH PROVIDED (USED) BY OPERATING TRANSACTIONS	(45,531)	(96,397)
INVESTING TRANSACTIONS		
Increase in Restricted Cash	(140)	1,575
Purchases of Long Term Investments	(179)	-
Repayment of Long Term Debt	(401)	(418)
Purchases of Capital Assets	(46,097)	(10,394)
Capital Assets Transferred to Other Ministries	5,759	-
Capital Assets Transferred from Other Ministries	(629)	(147)
Proceeds from Disposal of Capital Assets	49	70
CASH USED BY INVESTING TRANSACTIONS	(41,638)	(9,314)
FINANCING TRANSACTIONS		
Net Transfers from General Revenue	92,480	91,469
CASH PROVIDED BY FINANCING TRANSACTIONS	92,480	91,469
NET CASH PROVIDED	5,311	(14,242)
CASH, BEGINNING OF YEAR	14,086	28,328
CASH, END OF YEAR	$ 19,397	$ 14,086

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002

Note 1 Authority and Purpose

The Minister responsible for Innovation and Science has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfil these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Innovation and Science.

Organization:	*Authority:*
Department of Innovation and Science	Government Organization Act
Alberta Science and Research Authority	Alberta Science and Research Authority Act
Alberta Research Council Inc. including its wholly owned subsidiary C-FER Technologies (1999) Inc.	Alberta Science and Research Authority Act
iCORE Inc.	Alberta Science and Research Authority Act

The purpose of the Ministry of Innovation and Science is to enhance the contribution of science, research, information technology and communications technology to the sustainable prosperity and quality of life of all Albertans.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

a) Reporting Entity

The reporting entity is the Ministry of Innovation & Science (Ministry) and includes the operations of the Department of Innovation & Science and the Alberta Science and Research Authority. The financial statements for the individual entities provide more detailed information about the operations of each entity.

The Alberta Heritage Foundation for Science and Engineering Research (AHFSER) and the Alberta Heritage Foundation for Medical Research (AHFMR) and its subsidiary the Alberta Foundation for Health Research (AFHR) are required to forward a copy of their annual reports to the Minister for tabling in the Legislature. However, the financial statements of AHFSER, AHFMR and AFHR are not consolidated in these financial statements.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

b) Method of Consolidation

The activities of the entities within the Ministry are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated. Details of the consolidation adjustments are provided in Schedules 3, 4 and 5.

c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Royalties and licensing fee revenues are recognized when the amounts can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue - Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Ministry may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

Expenses

Grants – Grants are recorded as expenses when authorized and when all eligibility conditions have been satisfied.

Directly Incurred - Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others - Services contributed by other entities in support of Ministry operations are disclosed in Schedule 6.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Basis for Financial Reporting (cont'd)

Assets - Financial assets of the Ministry include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

The fair values of marketable securities are estimated to approximate their carrying values.

Assets acquired by right are not included in these statements. Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

Expenses for patents owned by the Ministry as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue to the Ministry.

Expenses on the acquisition or development of other intangible assets including intellectual capital are not capitalized as currently there is no acceptable methodology for measuring the value of future benefits accruing to the Ministry.

Liabilities - Liabilities represent all financial claims payable by the Ministry at fiscal year end. Under certain joint participation agreements the Ministry will incur certain costs when projects are abandoned.

Net Assets - Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accountable advances, accounts payable, accrued liabilities, and unearned revenues are estimated to approximate their book values.

Note 3 Government Restructuring

As a result of government restructuring announced on March 15, 2001, the following changed in the responsibility of the Ministry:

- Records Management was transferred from the Department of Innovation and Science to the Department of Government Services.

As a result of the Alberta Science, Research and Technology Authority Amendment Act, the following changed in the responsibility of the Ministry:

- Forest Development Research Program was transferred from the Department of Environment.

Comparatives for 2001 have been restated as if the Ministry had always been assigned its current responsibilities.

Net assets as previously reported at March 31, 2000	$ 56,729
Transfer to the Department of Government Services	140
Transfer from the Department of Environment	829
Net assets as restated at April 1, 2000	$ 57,698

Note 4 **Cash**
(In thousands)

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of the Department of Innovation and Science are deposited into the Fund and all cash disbursements made by the Department of Innovation and Science are paid from the Fund. Net transfer to/from General Revenues is the difference between all cash receipts and all cash disbursements made.

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest earned by the Ministry on the cash balance of the Alberta Research Council Inc.'s CCITF account is credited to the general revenues of the Province of Alberta and is not reflected in these financial statements.

Interest of $752 (2001 – $844) earned on the cash balance of the Ministry's remaining CCITF accounts has been credited to the accounts and is reported in these financial statements.

Note 5 **Marketable Securities**
(In thousands)

As at March 31, 2002, the Ministry had marketable securities of $151 (2001 - $177). The market value of the marketable securities was $280 (2001 – $358). The net realizable value of the investment in shares of a private company approximates cost.

Note 6 **Advances**
(In thousands)

As at March 31, 2002, the Ministry advanced payments for research grants of $3,900 (2001 - nil) which are subject to eligibility criteria being satisfied.

Note 7 **Accounts Receivable**
(In thousands)

	2002			2001
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 10,257	$ 226	$ 10,031	$ 10,481
Federal Government	1,366	-	1,366	1,308
Accountable Advances	9	-	9	5
Alberta Government Departments and Agencies	6,421	-	6,421	2,460
	$ 18,053	$ 226	$ 17,827	$ 14,254

Accounts receivable are unsecured and non-interest bearing.

Note 8 Long-Term Investments
(In thousands)

	2002	2001
Investment in shares of public companies	$ 951	$ -
Investment in shares of private companies	429	250
	1,380	250
Provision for impairment in value	(951)	-
	$ 429	$ 250

The net realizable value of the investments in shares of a private company approximates carrying value.

Note 9 Capital Assets
(In thousands)

	Estimated Useful Life	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	Indefinite	$ 566	$ -	$ 566	$ 566
Building	30 years	2,106	240	1,866	1,965
Equipment - Other [1]	3-25 years	54,798	38,468	16,330	20,228
Equipment - Supernet [2]	3 - 20 years	38,994	-	38,994	-
Computer Hardware/Software [3]	3-5 years	39,017	20,281	18,736	23,891
Other	25 years	10,561	3,363	7,198	4,301
		$ 146,042	$ 62,352	$ 83,690	$ 50,951

(1) Equipment also includes furniture and fixtures.

(2) Capital costs are recorded as work in progress.

(3) Includes the Alberta Government Integrated Management Information System (IMAGIS) which includes all development costs incurred by the Ministry in the implementation of the government-wide system. The cost of each module is amortized over a 10-year useful life. All upgrades to IMAGIS are expensed in the year incurred.

Note 10 Deferred Contributions
(In thousands)

Deferred Contributions $896 (2001- $756) represents unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

	2002	2001
Opening Balance	$ 756	$ -
Contributions received during the year:		
Alberta Agricultural Research Institute Development Programs	89	756
iCORE Inc. Industrial Chair Establishment Grant Program	100	-
	945	756
Contributions used during the year:		
Alberta Agricultural Research Institute Development Programs	(49)	-
Closing Balance	$ 896	$ 756

Note 11 Long Term Debt
(In thousands)

	2002	2001
7.25% mortgage, payable in monthly instalments of $41 including interest, due October 1, 2002.	$ 1,920	$ 2,262
Bank term loan, at prime, payable in monthly instalments of $4 plus interest, due October 12, 2002.	30	84
	1,950	2,346
Less current portion	395	390
	$ 1,555	$ 1,956

A demand debenture with a fixed charge over land, building and equipment with a net book value of $3,339 (2001 – $3,551), a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage and term loan.

The following estimated principal repayments during the next five years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments
2003	$ 395
2004	392
2005	422
2006	454
2007	287
	$ 1,950

Note 12 Accumulated Provision for Future Project Abandonment
(In thousands)

Under joint participation agreements, the Ministry will incur certain costs when wells and experimental projects are abandoned. Management's estimate of costs for future abandonment is $1,467 (2001 – $1,469).

Note 13 Commitments
(In thousands)

As at March 31, 2002, the Ministry had the following commitments:

	2002	2001
SuperNet	$ 154,006	$ -
Research Grants	69,670	81,425
Telecommunications Service Contracts	20,386	1,277
General Service Contracts	1,373	1,868
	$ 245,435	$ 84,570

a) Leases

The Ministry leases certain equipment under operating leases that expire on various dates to 2006. The aggregate amount payable for the unexpired terms of these leases are as follows:

Year	Amount
2003	$ 117
2004	75
2005	46
2006	25
	$ 263

Note 14 Warrants and Options
(In thousands)

As part of the consideration for granting various licenses, the Ministry (through the Alberta Research Council Inc.) has received a number of options and warrants to acquire common shares of public companies. The following options and warrants have been recorded at nominal value:

	2002		2001	
	Exercise Price	Market Value [1]	Exercise Price	Market Value [1]
Options which expire in 2002	$ -	$ -	$ 106	$ 146
Options and warrants which expire in 2003	510	218	510	263
Warrants which expire in 2004	951	300	-	-
	$ 1,461	$ 518	$ 616	$ 409

Note 14 Warrants and Options (cont'd)
(In thousands)

(1) Market value represents the market value of shares which would be acquired upon exercise of options and warrants.

These stock options and warrants are subject to market risk. As a result, the value of these financial instruments will fluctuate as a result of changes in the market price.

Note 15 Contingencies
(In thousands)

At March 31, 2002, the Ministry is a defendant in three legal claims (2001 – two legal claims). All of these claims have specified amounts totalling $52,633 (2001 – $6,279). The resulting loss, if any, for these claims cannot be determined.

Note 16 Defined Benefit Plans
(In thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,819 for the year ending March 31, 2002 (2001 – $3,026).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338 (2000 - $170,858) and the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399 (2000 - surplus $180).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646 (2001 - $12,710) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $2,656 (2001 - $4,583). The expense for these two plans is limited to employer's annual contributions for the year.

Note 17 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 18 Approval of Financial Statements

The financial statements were approved by the Deputy Minister of Innovation and Science and the Chief Financial Officer for the Ministry of Innovation and Science.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 1

(In thousands)

OBJECT	2002 Budget	2002 Actual	2001 Actual
Salaries, Wages and Employee Benefits	$ 57,587	$ 54,800	$ 60,814
Supplies and Services	113,931	66,810	69,261
Grants	66,669	61,704	73,145
Financial Transactions and Other	51	1,675	416
Amortization of Capital Assets	8,257	7,765	9,766
Total VOTED AND STATUTORY EXPENSES	$ 246,495	$ 192,754	$ 213,402

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
OPERATIONS BY ENTITY
AS AT MARCH 31, 2002

Schedule 2

(In thousands)

	2002				2001
	Estimates	Voted Supplementary	Authorized Budget	Actual	Actual
REVENUES					
Department	$ 99,084	$ -	$ 99,084	$ 99,733	$ 69,064
Alberta Science and Research Authority	135,299	-	135,299	130,621	139,939
Alberta Agricultural Research Institute	-	-	-	-	8,874
Alberta Oil Sands Technology and Research Authority	-	-	-	-	612
Consolidation Adjustments	(89,571)	-	(89,571)	(86,234)	(110,685)
Total REVENUES	144,812	-	144,812	144,120	107,804
EXPENSES					
Program					
Voted					
Department	196,446	-	196,446	146,174	171,753
Statutory					
Department	-	-	-	380	297
Alberta Science and Research Authority	139,620	-	139,620	132,434	142,888
Alberta Agricultural Research Institute	-	-	-	-	7,232
Alberta Oil Sands Technology and Research Authority	-	-	-	-	1,369
Consolidation Adjustments	(89,571)	-	(89,571)	(86,234)	(110,137)
Total Program Expenses	246,495	-	246,495	192,754	213,402
OTHER					
Loss on Disposal of Capital Assets	-	-	-	414	10
Total OTHER	-	-	-	414	10
NET OPERATING RESULTS	$ (101,683)	$ -	$ (101,683)	$ (49,048)	$ (105,608)
CAPITAL INVESTMENT					
Voted					
Department	8,012	-	8,012	43,909	7,496
Statutory					
Alberta Science and Research Authority	3,881	-	3,881	2,188	2,898
Total CAPITAL INVESTMENT	$ 11,893	$ -	$ 11,893	$ 46,097	$ 10,394

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 3

(In thousands)

	Department of Innovation and Science	Alberta Science and Research Authority	Consolidation Adjustments	Consolidated Budget
REVENUES				
Internal Government Transfers	$ 90,838	$ 89,571	$ (89,571)	$ 90,838
Transfers from Government of Canada	-	1,125	-	1,125
Investment Income	-	390	-	390
Other Revenue	8,246	44,213	-	52,459
Total REVENUES	99,084	135,299	(89,571)	144,812
EXPENSES				
Program				
Alberta Science and Research Authority (ASRA)				
Alberta Agricultural Research Institute	-	8,900	-	8,900
Alberta Energy Research Institute	-	8,900	-	8,900
Alberta Forestry Research Institute	-	1,450	-	1,450
Alberta Research Council Inc.	-	68,023	-	68,023
iCORE Inc.	-	10,000	-	10,000
Research Investments Program	-	25,000	-	25,000
Strategic Research Initiatives	-	10,897	-	10,897
Research Excellence Envelope	-	3,500	-	3,500
Technology Commercialization Initiatives	-	2,350	-	2,350
Operations and Policy Development	94,635	600	(89,571)	5,664
Office of the Chief Information Officer	1,820	-	-	1,820
Information Technology Services	45,656	-	-	45,656
Alberta SuperNet	50,000	-	-	50,000
Ministry Support Services	4,335	-	-	4,335
Total Program Expenses	196,446	139,620	(89,571)	246,495
Other Expenses				
Valuation Adjustment - Provision for Vacation Pay	-	-	-	-
Total Other Expenses	-	-	-	-
Total EXPENSES	196,446	139,620	(89,571)	246,495
OTHER				
Loss on Disposal of Capital Assets	-	-	-	-
Total OTHER	-	-	-	-
NET OPERATING RESULTS	$ (97,362)	$ (4,321)	$ -	$ (101,683)
CAPITAL INVESTMENT	$ 8,012	$ 3,881	$ -	$ 11,893

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
ACTUALS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 4

(In thousands)

	Department of Innovation and Science	Alberta Science and Research Authority	Consolidation Adjustments	Consolidated Actual
REVENUES				
Internal Government Transfers	$ 90,838	$ 86,162	$ (86,162)	$ 90,838
Transfers from Government of Canada	-	2,386	-	2,386
Investment Income	-	752	-	752
Other Revenue	8,895	41,321	(72)	50,144
Total REVENUES	99,733	130,621	(86,234)	144,120
EXPENSES				
Program				
Alberta Science and Research Authority (ASRA)				
Alberta Agricultural Research Institute	-	9,732	-	9,732
Alberta Energy Research Institute	-	8,963	-	8,963
Alberta Forestry Research Institute	-	2,012	-	2,012
Alberta Research Council Inc.	-	64,240	(72)	64,168
iCORE Inc.	-	5,845	-	5,845
Research Investments Program	-	21,462	-	21,462
Strategic Research Initiatives	-	13,856	-	13,856
Research Excellence Envelope	-	3,500	-	3,500
Technology Commercialization Initiatives	-	2,277	-	2,277
Operations and Policy Development	91,232	545	(86,162)	5,615
Office of the Chief Information Officer	1,589	-	-	1,589
Information Technology Services	47,111	-	-	47,111
Alberta SuperNet	2,054	-	-	2,054
Ministry Support Services	4,188	-	-	4,188
Total Program Expenses	146,174	132,432	(86,234)	192,372
Other Expenses				
Valuation Adjustment - Provision for Vacation Pay	380	2	-	382
Total Other Expenses	380	2	-	382
Total EXPENSES	146,554	132,434	(86,234)	192,754
OTHER				
Loss on Disposal of Capital Assets	414	-	-	414
Total OTHER	414	-	-	414
NET OPERATING RESULTS	$ (47,235)	$ (1,813)	$ -	$ (49,048)
CAPITAL INVESTMENT	$ 43,909	$ 2,188	$ -	$ 46,097

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
INTRA-MINISTRY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 5

(In thousands)

	2002 Budget	2002 Actual
REVENUE		
Grant from the Department of Innovation and Science to the Alberta Research and Science Authority		
General Revenue Fund	$ 48,733	$ 45,324
Lottery Fund	40,838	40,838
Services provided to the Department of Innovation and Science from the Alberta Science and Research Authority	-	72
	$ 89,571	$ 86,234
EXPENSE		
Grant from the Department of Innovation and Science to the Alberta Research and Science Authority		
General Revenue Fund	$ 48,733	$ 45,324
Lottery Fund	40,838	40,838
Services provided to the Department of Innovation and Science from the Alberta Science and Research Authority	-	72
	$ 89,571	$ 86,234
RECEIVABLE FROM / (PAYABLE) TO		
Net Accounts Receivable from the Department of Innovation and Science to the Alberta Science and Research Authority	$ -	$ 25
Net Accounts Payable from the Department of Innovation and Science to the Alberta Science and Research Authority	-	(25)
	$ -	$ -

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 6

(In thousands)

	2002					2001
		Expenses Incurred by Others		Valuation Adjustment		
	Expenses [1]	Accommodation Costs [2]	Legal Costs [3]	Vacation Pay [4]	Total	Total
Program						
Alberta Science and Research Authority (ASRA)						
Alberta Agricultural Research Institute	$ 9,732	$ 58	$ 2	$ -	$ 9,792	$ 8,759
Alberta Energy Research Institute	8,963	110	97	16	9,186	8,176
Alberta Forestry Research Institute	2,012	12	-	16	2,040	2,226
Alberta Research Council Inc.	64,168	11,464	-	-	75,632	72,058
iCORE Inc.	5,845	27	-	-	5,872	10,072
Research Investments Program	21,462	26	-	(25)	21,463	22,545
Strategic Research Initiatives	13,856	17	-	(16)	13,857	21,743
Research Excellence Envelope	3,500	4	-	(4)	3,500	3,500
Technology Commercialization Initiatives	2,277	81	3	11	2,372	2,960
Operations and Policy Development	5,615	78	16	24	5,733	7,226
Office of the Chief Information Officer	1,589	81	28	66	1,764	1,730
Information Technology Services	47,111	723	-	96	47,930	63,685
Alberta SuperNet	2,054	38	50	25	2,167	-
Ministry Support Services	4,188	305	21	173	4,687	4,842
	$ 192,372	$ 13,024	$ 217	$ 382	$ 205,995	$ 229,522

[1] Expenses - Directly Incurred as per the Consolidated Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accommodation provided by the Department of Infrastructure.

[3] Costs shown for Legal Services provided by the Department of Justice.

[4] Vacation Pay as per the Consolidated Statement of Operations.

DEPARTMENT OF INNOVATION AND SCIENCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Changes in Financial Position

Notes to the Financial Statements

Schedule of Revenues

Schedule of Dedicated Revenue Initiatives

Schedule of Expenses - Directly Incurred Detailed by Object

Schedule of Budget

Schedule of Comparison of Expenses - Directly Incurred and Capital Investments by Element to Authorized Budget

Schedule of Salary and Benefits Disclosure

Schedule of Related Party Transactions

Schedule of Allocated Costs

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Minister of Innovation and Science

I have audited the statement of financial position of the Department of Innovation and Science as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department of Innovation and Science is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policies that are exceptions from Canadian generally accepted accounting principles:

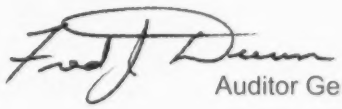
Capitalization of Assets

Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as assets in the accompanying statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the statement of operations. In my opinion, an amount of approximately $3,241,000 representing the net book value of the assets as at March 31, 2002, should be recognized as capital assets. The effect of this understatement of capital assets is to understate expenses by approximately $108,000 for the year ended March 31, 2002.

Recording of Expenses

In the previous year, an expense was recorded by the Department for services to be received in fiscal 2001-02 and 2002-03. Generally accepted accounting principles require that expenses be recorded in the period in which the services are rendered. As a result, assets at March 31, 2002 and expenses for the year then ended are both understated by $955,426.

In my opinion, except for the effect of the matters discussed in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



CA
Auditor General

Edmonton, Alberta
May 23, 2002

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
REVENUES (Note 2 and Schedules 1 and 2)			
Internal Government Transfers	$ 90,838	$ 90,838	$ 41,832
Other Revenue	8,246	8,895	27,232
Total REVENUES	99,084	99,733	69,064
EXPENSES- Directly Incurred (Note 2 and Schedules 3, 4 and 5)			
Voted			
Ministry Support Services	4,335	4,188	4,205
Information and Communications Technology	97,476	50,754	62,725
Science, Research and Development	94,635	91,231	104,823
Total Voted Expenses	196,446	146,173	171,753
Statutory			
Valuation Adjustments and Other Provisions	-	380	297
Total Statutory Expenses	-	380	297
Total EXPENSES	196,446	146,553	172,050
OTHER			
Loss on Disposal of Capital Assets	-	414	10
Total OTHER	-	414	10
NET OPERATING RESULTS	$ (97,362)	$ (47,234)	$ (102,996)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002

(In thousands)

	2002	2001
ASSETS		
Cash	$ -	$ 25
Accounts Receivable (Note 4)	2,281	394
Accountable Advances	9	5
Capital Assets (Note 5)	65,215	31,780
	$ 67,505	$ 32,204
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 10,813	$ 22,092
Holdback Liability	1,334	-
	12,147	22,092
NET ASSETS		
Net Assets, Beginning of Year (Note 3)	$ 10,112	$ 23,011
Net Operating Results	(47,234)	(102,996)
Net Transfers from General Revenues	92,480	90,097
Net Assets, End of Year	55,358	10,112
	$ 67,505	$ 32,204

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
OPERATING TRANSACTIONS		
Net Operating Results	$ (47,234)	$ (102,996)
Non-Cash Items:		
Amortization of Capital Assets	4,930	6,815
Loss on Disposal of Capital Assets	414	10
Valuation Adjustments - Vacation Pay	380	297
	(41,510)	(95,874)
Increase in Accounts Receivable	(1,887)	(12)
(Increase) / Decrease in Accountable Advances	(4)	6
Increase / (Decrease) in Accounts Payable and Accrued Liabilities	(11,659)	13,405
Increase in Holdback Liability	1,334	-
NET CASH USED BY OPERATING TRANSACTIONS	(53,726)	(82,475)
INVESTING TRANSACTIONS		
Purchases of Capital Assets	(43,909)	(7,496)
Capital Assets Transferred to Other Ministries	5,759	-
Capital Assets Transferred from Other Ministries	(629)	(147)
Proceeds from Disposal of Capital Assets	-	42
CASH PROVIDED BY INVESTING TRANSACTIONS	(38,779)	(7,601)
FINANCING TRANSACTIONS		
Net Transfers from General Revenues	92,480	90,097
	92,480	90,097
NET CASH PROVIDED (USED)	(25)	21
CASH, BEGINNING OF YEAR	25	4
CASH, END OF YEAR	$ -	$ 25

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002

Note 1 Authority and Purpose

The Department of Innovation and Science operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The purpose of the Department of Innovation and Science (Department) is to enhance the contribution of science, research and information and communications technology to the sustainable prosperity and quality of life of all Albertans.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

a) Reporting Entity

The reporting entity is the Department of Innovation and Science, which is part of the Ministry of Innovation and Science and for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Alberta Science and Research Authority. The activity of the Alberta Science and Research Authority is not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfers to/from General Revenues is the difference between all cash receipts and all cash disbursements made.

b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

b) Basis of Financial Reporting (cont'd)

Dedicated Revenue - Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiative.

Expenses

Grants – Grants are recorded as expenditures when authorized and when all eligibility conditions have been satisfied.

Directly Incurred - Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others - Services contributed by other entities in support of the Department's operations are disclosed in Schedule 8.

Assets - Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000.

Liabilities - Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Assets - Net assets represent the difference between the value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 3 **Government Restructuring**
(In thousands)

As a result of government restructuring announced on March 15, 2001, the following changed in the responsibility of the Department:

- Records Management was transferred from the Department of Innovation and Science to the Department of Government Services.

Comparatives for 2001 have been restated as if the Department had always been assigned its current responsibilities.

Net assets as previously reported at March 31, 2000	$ 22,871
Transfer to the Department of Government Services	140
Net assets as restated at April 1, 2000	$ 23,011

Note 4 **Accounts Receivable**
(In thousands)

	2002			2001
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 2,087	$ -	$ 2,087	$ 9
Alberta Government Departments and Agencies	194	-	194	385
	$ 2,281	$ -	$ 2,281	$ 394

Accounts receivable are unsecured and non-interest bearing.

Note 5 Capital Assets
(In thousands)

	Estimated Useful Life	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Equipment - Supernet [1]	3-20 years	$ 38,994	$ -	$ 38,994	$ -
Equipment - Other [2]	5-10 years	18,265	10,625	7,640	8,562
Computer Hardware and Software [3]	3-10 years	34,897	16,316	18,581	23,218
		$ 92,156	$ 26,941	$ 65,215	$ 31,780

(1) Capital costs are recorded as work in progress.

(2) Equipment also includes furniture and fixtures.

(3) Includes the Alberta Government Integrated Management Information System (IMAGIS) which includes all development costs incurred by the Department in the implementation of this government-wide system. The cost of each module is amortized over a 10-year useful life. All upgrades to IMAGIS are expensed in the year incurred.

Note 6 Commitments
(In thousands)

As at March 31, 2002, the Department has the following commitments:

	2002	2001
SuperNet	$ 154,006	$ -
Telecommunications Service Contracts	20,386	1,277
General Service Contracts	1,373	1,868
	$ 175,765	$ 3,145

Note 7 Pensions
(In thousands)

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,107 for the year ended March 31, 2002 (2001 - $1,428).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338 (2000 - $170,858) and the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399 (2000 - surplus $180).

Note 7 Pensions (cont'd)
(In thousands)

The Department also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646 (2001 - $12,710) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $2,656 (2001 - $4,583). The expense for these two plans is limited to employer's annual contributions for the year.

Note 8 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 9 Approval of Financial Statements

The financial statements were approved by the Deputy Minister and the Chief Financial Officer.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 1

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
Contribution from Lottery Fund	$ 90,838	$ 90,838	$ 40,832
Contribution from Other Ministries	-	-	1,000
Other Revenue	8,246	8,895	27,232
Total REVENUES	$ 99,084	$ 99,733	$ 69,064

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
DEDICATED REVENUE INITIATIVES
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 2

(In thousands)

	2002		
	Authorized Dedicated Revenues	Actual Dedicated Revenues	Increase / (Decrease)
Information and Communications Technology[1]	$ 8,246	$ 8,650	$ 404
Total DEDICATED REVENUE	$ 8,246	$ 8,650	$ 404

[1] The Department receives revenue from Ministries to recover the cost of providing cross government services for finance and human resource applications.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 3

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
VOTED:			
Salaries, Wages and Employee Benefits	$ 17,951	$ 14,966	$ 21,590
Supplies and Services	83,621	39,581	43,133
Supplies and Services from Support Service Arrangements with Related Parties	-	-	164
Grants	89,604	86,614	99,998
Financial Transactions and Other	79	82	53
Amortization of Capital Assets	5,191	4,930	6,815
Total VOTED EXPENSES	$ 196,446	$ 146,173	$ 171,753

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 4

(In thousands)

	2002				
	Estimates	Adjustment	Budget	Authorized Supplementary	Authorized Budget
REVENUES:					
Internal Government Transfers	$ 90,838	$ -	$ 90,838	$ -	$ 90,838
Other Revenue	8,246	-	8,246	-	8,246
Total REVENUES	99,084	-	99,084	-	99,084
EXPENSES - DIRECTLY INCURRED					
Voted					
Ministry Support Services	4,335	-	4,335	-	4,335
Information and Communications Technology	97,476	-	97,476	-	97,476
Science, Research and Development	94,635	-	94,635	-	94,635
Total Voted Expenses	196,446	-	196,446	-	196,446
Statutory					
Valuation Adjustments and Other Provisions	-	-	-	-	-
Total Statutory Expenses	-	-	-	-	-
Total EXPENSES	196,446	-	196,446	-	196,446
OTHER					
(Gain) / Loss on Disposal of Capital Assets	-	-	-	-	-
Total OTHER	-	-	-	-	-
NET OPERATING RESULTS	$ (97,362)	$ -	$ (97,362)	$ -	$ (97,362)
CAPITAL INVESTMENT	$ 8,012	$ -	$ 8,012	$ -	$ 8,012

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES - DIRECTLY INCURRED AND CAPITAL INVESTMENTS BY ELEMENT TO AUTHORIZED BUDGET
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 5

(In thousands)

		2002						
		Estimates	Adjustments	Budget	Authorized Supplementary	Authorized Budget	Actual [1]	Increase / (Decrease)
VOTED EXPENSES AND CAPITAL INVESTMENTS								
Program 1	Ministry Support Services							
1.0.1	Minister's Office	$ 320	$ -	$ 320	$ -	$ 320	$ 313	$ (7)
1.0.2	Deputy Minister's Office	315	-	315	-	315	313	(2)
1.0.3	Corporate Services							
	- Operating Expense	2,965	-	2,965	-	2,965	2,829	(136)
	- Capital Investment	-	-	-	-	-	102	102
1.0.4	Communications	735	-	735	-	735	733	(2)
	Program Total	4,335	-	4,335	-	4,335	4,290	(45)
Program 2	Information and Communications Technology							
2.1	Alberta Supernet							
2.1.1	Network Infrastructure and Management							
	- Operating Expense funded by Lotteries	50,000	-	50,000	-	50,000	2,054	(47,946)
	- Capital Investment funded by Lotteries	-	-	-	-	-	38,994	38,994
	Total Sub-program	50,000	-	50,000	-	50,000	41,048	(8,952)
2.2	Government Services							
2.2.1	Information Technology Services							
	- Operating Expense	40,465	-	40,465	-	40,465	42,216	1,751
	- Capital Investment	8,012	-	8,012	-	8,012	4,813	(3,199)
2.2.2	Office of the Chief Information Officer	1,820	-	1,820	-	1,820	1,589	(231)
2.2.3	Amortization	5,191	-	5,191	-	5,191	4,895	(296)
2.2.4	Dedicated Revenue	-	-	-	-	-	-	-
	Total Sub-program	55,488	-	55,488	-	55,488	53,513	(1,975)
	Program Total	105,488	-	105,488	-	105,488	94,561	(10,927)

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES - DIRECTLY INCURRED AND CAPITAL INVESTMENTS BY ELEMENT TO AUTHORIZED BUDGET
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 5

(In thousands)

	2002						
	Estimates	Adjustments	Budget	Authorized Supplementary	Authorized Budget	Actual	Increase / (Decrease)
Program 3 Science, Research and Development							
3.0.1 Operations and Policy Research	5.064	-	5.064	-	5.064	5.069	5
3.0.2 Grant to the Alberta Science and Research Authority							
- Operating Expense	48.733	-	48.733	-	48.733	45.324	(3.409)
- Operating Expense Funding by Lotteries	40.838	-	40.838	-	40.838	40.838	-
	94.635	-	94.635	-	94.635	91.231	(3.404)
Total VOTED EXPENSES AND CAPITAL INVESTMENTS	$ 204.458	$ -	$ 204.458	$ -	$ 204.458	$ 190.082	$ (14.376)
Program Operating Expense	105.608	-	105.608	-	105.608	103.281	(2.327)
Program Operating Expense Funded by Lotteries	90.838	-	90.838	-	90.838	42.892	(47.946)
	196.446	-	196.446	-	196.446	146.173	(50.273)
Program Capital Investment	8.012	-	8.012	-	8.012	4.915	(3.097)
Program Capital Investment Funded by Lotteries	-	-	-	-	-	38.994	38.994
	8.012	-	8.012	-	8.012	43.909	35.897
Total VOTED EXPENSES AND CAPITAL INVESTMENTS	$ 204.458	$ -	$ 204.458	$ -	$ 204.458	$ 190.082	$ (14.376)

(1) Achievement bonuses of $254 were incurred during the fiscal year. The bonuses are reported in each program area.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 6

	2002			2001
CURRENT EXECUTIVES	Salary [1]	Benefits & Allowances [2]	Total	Total
Deputy Minister [3]	$ 157,576	$ 45,767	$ 203,343	$ 206,201
Executives:				
Policy Development and Coordination [4]	112,602	36,269	148,871	-
Chief Information Officer	116,011	28,624	144,635	125,258
Research	115,823	29,974	145,797	111,516
Information Management and Technology Services	117,260	28,099	145,359	148,676
Research and Technology Commercialization [5]	103,345	27,371	130,716	123,883
Chief Financial Officer [6]	87,676	33,727	121,404	-
Contract and Corporate Services [7]	15,875	3,663	19,538	159,471

NOTES:

Prepared in accordance with Treasury Board Directive 12/98

(1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

(2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability Plans, WCB premiums, professional memberships and tuition fees.

(3) Automobile provided, no dollar amount included in benefits and allowances figures.

(4) Position was created on April 27, 2001, salary and benefits figures are for the period May 1, 2001 to March 31, 2002. Benefits and allowances include vacation payout of $6,527.

(5) Benefits and allowances include vacation payout of $2,078 in 2002 and $3,678 in 2001.

(6) This position was created on May 22, 2001. Salary and benefits figures are for the period May 22, 2001 to March 31, 2002 and include a vacation payout of $15,214.

(7) Incumbent transferred to Alberta Environment effective May 22, 2001 and position was eliminated. Salary and benefits Figures are for the period April 1, 2001 to May 21, 2001.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 7

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
REVENUES				
Lottery Fund	$ -	$ -	$ 90,838	$ 40,832
Information and Communications Technology	-	-	8,650	26,791
Contributions from Other Ministries	-	-	-	1,000
	$ -	$ -	$ 99,488	$ 68,623
EXPENSES - DIRECTLY INCURRED				
Grant to Alberta Research and Science Authority	$ 86,162	$ 98,866	$ -	$ -
Charges from Alberta Corporate Service Centre	-	-	3,110	-
Charges from Department of Infrastructure	-	-	28	9
	$ 86,162	$ 98,866	$ 3,138	$ 9
CAPITAL ASSETS TRANSFERRED FROM (TO) OTHER MINISTRIES				
Transfer to Alberta Corporate Services Centre	$ -	$ -	$ (5,759)	$ -
Exclaim1 & Exclaim!2 Systems	-	-	629	-
Alberta Health and Wellness	-	-	-	147
	$ -	$ -	$ (5,130)	$ 147
RECEIVABLE FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ -	$ -	$ 188	$ 339
PAYABLE TO THE ALBERTA SCIENCE AND RESEARCH AUTHORITY	$ 25	$ 9,751	$ -	$ -

The above transactions do not include support service agreement transactions disclosed in Schedule 3.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 7
(cont'd)

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 8.

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
EXPENSES - INCURRED BY OTHERS				
Accommodations from Alberta Infrastructure	$ -	$ -	$ 1,481	$ 3,511
Legal services from Alberta Justice	-	-	201	298
	$ -	$ -	$ 1,682	$ 3,809

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 8

(In thousands)

	2002					2001
		Expenses - Incurred by Others		Valuation Adjustments		
PROGRAM	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay [4]	Total Expenses	Total Expenses
Ministry Support Services	$ 4,188	$ 305	$ 21	$ 174	$ 4,688	$ 4,842
Information and Communications Technology	50,754	842	79	187	51,862	65,412
Science, Research and Development	91,231	334	101	19	91,685	105,532
	$ 146,173	$ 1,481	$ 201	$ 380	$ 148,235	$ 175,786

[1] Expenses - Directly Incurred as per the Statement of Operations, excluding valuation adjustments.

[2] Costs shown are for Accommodation provided by Alberta Infrastructure.

[3] Costs shown are for Legal Services provided by Alberta Justice.

[4] Vacation Pay as per the Statement of Operations.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Financial Position

Notes to the Consolidated Financial Statements

Consolidated Schedule of Expenses - Directly Incurred Detailed By Object

Consolidated Schedule of Budget

Consolidated Schedule of Comparison Of Expenses - Directly Incurred and Capital Investment To Authorized Budget

Consolidated Schedule of Consolidation Adjustments

Consolidated Schedule of Salary, Honoraria And Benefits Disclosure

Consolidated Schedule of Related Party Transactions

Consolidated Schedule of Allocated Costs

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Management of the Alberta Science and Research Authority

I have audited the consolidated statement of financial position of the Alberta Science and Research Authority as at March 31, 2002 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Alberta Science and Research Authority as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
May 23, 2002

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
REVENUES (Note 2 and Schedules 2, 3 and 4)			
Internal Government Transfers			
Transfer from Department - General Revenue Fund	$ 48,733	$ 45,324	$ 58,034
Transfer from Department - Lottery Fund	40,838	40,838	40,832
Transfers from Government of Canada	1,125	2,386	-2,306
Investment Income	390	752	737
Other Revenue			
Commercial Revenue	35,884	34,472	28,073
Contracts with Other Ministries	6,812	2,684	3,391
Technology and Production Sales	907	1,099	833
Other	610	3,066	5,733
Total REVENUES	135,299	130,621	139,939
EXPENSES- Directly Incurred (Note 2 and Schedules 2, 3, and 4)			
Program Expenses			
Operations and Policy Research	600	545	575
Research Investments Program	25,000	21,462	22,545
Strategic Research Initiatives	10,897	13,856	21,743
Research Excellence Envelope	3,500	3,500	3,500
iCORE Inc.	10,000	5,845	10,004
Technology Commercialization Initiatives	2,350	2,277	2,940
Alberta Research Council Inc.	68,023	64,240	62,588
Alberta Forestry Research Institute	1,450	2,012	2,226
Alberta Agricultural Research Institute	8,900	9,732	1,438
Alberta Energy Research Institute	8,900	8,963	6,735
Grant to Alberta Agricultural Research Institute	-	-	8,582
Total Program Expenses	139,620	132,432	142,876
Other Expenses			
Provision for Vacation Pay	-	2	12
Total Other Expenses	-	2	12
Total EXPENSES	139,620	132,434	142,888
NET OPERATING RESULTS	$ (4,321)	$ (1,813)	$ (2,949)

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002

(In thousands)

	2002	2001
ASSETS		
Cash (Note 4)	$ 19,397	$ 14,061
Restricted Cash	896	756
Marketable Securities (Note 5)	151	177
Advances (Note 6)	3,900	-
Accounts Receivable (Note 7)	15,574	23,698
	39,918	38,692
Long Term Investments (Note 8)	429	250
Capital Assets (Note 9)	18,475	19,170
	$ 58,822	$ 58,112
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 17,124	$ 14,507
Unearned Revenue	3,316	4,951
Holdback Liability	2,435	636
Deferred Contributions (Note 10)	896	756
Current Portion of Long Term Debt (Note 11)	395	390
	24,166	21,240
Long Term Debt (Note 11)	1,555	1,956
Accumulated Provision for Project Abandonment (Note 12)	1,467	1,469
	27,188	24,665
NET ASSETS		
Net Assets, Beginning of Year (Note 3)	$ 33,447	$ 19,674
Net Operating Results	(1,813)	(2,949)
Net Transfers from General Revenue	-	1,370
Net Asset Transfer from Alberta Agricultural Research Institute	-	4,140
Net Asset Transfer from Alberta Oil Sands Technology and Research Authority	-	11,212
Net Assets, End of Year	31,634	33,447
	$ 58,822	$ 58,112

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
OPERATING TRANSACTIONS		
Net Operating Results	$ (1,813)	$ (2,949)
Non-Cash Items:		
Amortization of Capital Assets	2,835	2,951
Gain on Sale of Marketable Securities	-	(519)
Valuation Adjustments	2	12
Purchase of Marketable Securities	(105)	(106)
Proceeds from Sale of Marketable Securities	131	599
	1,050	(12)
Increase in Advances	(3,900)	-
(Increase) / Decrease in Accounts Receivable	8,124	(12,525)
Increase in Accounts Payable and Accrued Liabilities	2,615	1,836
Increase / (Decrease) in Unearned Revenue	(1,635)	60
Increase in Holdback Liability	1,799	636
Increase in Deferred Contributions	140	756
Decrease in Promissory Note	-	(281)
Increase / (Decrease) in Current Portion of Long Term Debt	5	54
Increase / (Decrease) in Accumulated Provision for Project Abandonment	(2)	1,469
NET CASH PROVIDED (USED) BY OPERATING TRANSACTIONS	8,196	(8,007)
INVESTING TRANSACTIONS		
Increase in Restricted Cash	(140)	(756)
Purchases of Long Term Investments	(179)	(250)
Repayment of Long Term Debt	(401)	(418)
Purchases of Capital Assets	(2,188)	(2,898)
Proceeds from Disposal of Capital Assets	48	28
CASH USED BY INVESTING TRANSACTIONS	(2,860)	(4,294)
FINANCING TRANSACTIONS		
Net Transfers from General Revenue	-	1,370
CASH PROVIDED BY FINANCING TRANSACTIONS	-	1,370
NET ASSET TRANSFERS		
Alberta Agricultural Research Institute	-	4,140
Alberta Oil Sands Technology and Research Authority	-	11,212
CASH PROVIDED BY NET ASSET TRANSFERS	-	15,352
NET CASH PROVIDED	5,336	4,421
CASH, BEGINNING OF YEAR	14,061	9,640
CASH, END OF YEAR	$ 19,397	$ 14,061

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002

Note 1 Authority and Purpose

The Alberta Science and Research Authority is a provincial corporation established under the authority of the Alberta Science and Research Authority Act. This Act is the responsibility of the Ministry of Innovation and Science of the Province of Alberta.
The consolidated Alberta Science and Research Authority consists of the following organizations:

- Alberta Science and Research Authority
- Alberta Research Council Inc. including its wholly owned subsidiary C-FER Technologies (1999) Inc.
- iCORE Inc. (Alberta Informatics Circle of Research Excellence)

The purpose of the Alberta Science and Research Authority is to enhance the contribution of science, research and information technology to the sustainable prosperity and quality of life of all Albertans.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

a) Reporting Entity

The reporting entity is the Alberta Science and Research Authority which is part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science. The activities of the Department of Innovation and Science are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

b) Basis of Consolidation

The activities of the entities within the Alberta Science and Research Authority are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Intra-entity revenue, expense, asset and liability accounts, and investing and financing transactions have been eliminated. The financial statements of the individual entities provide more detailed information about the operations of each entity.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Grants – Grants are recorded as expenditures when authorized and when all eligibility conditions have been satisfied.

Directly Incurred - Directly incurred expenses are those costs the Alberta Science and Research Authority has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others - Services contributed by other entities in support of the Alberta Science and Research Authority's operations are disclosed in Schedule 7.

Assets - Financial assets of the Alberta Science and Research Authority are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Capital assets of the Alberta Science and Research Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

Expenses incurred for patents owned as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue.

Expenses incurred on the acquisition or development of other intangible assets including intellectual capital are not capitalized, as there currently is not an acceptable methodology for measuring the value of future benefits accruing.

Liabilities - Liabilities represent all financial claims payable by the Alberta Science and Research Authority at fiscal year end.

Net Assets - Net assets represent the difference between the value of assets held by the Alberta Science and Research Authority and its liabilities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Basis of Financial Reporting (cont'd)

Valuation of Financial Assets and Liabilities - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 3 Government Restructuring
(In thousands)

As a result of the Alberta Science, Research and Technology Authority Amendment Act, the following changed in the responsibility of the Alberta Science and Research Authority:

- Forest Development Research Program was transferred from the Department of Environment.

Comparatives for 2001 have been restated as if the Alberta Science and Research Authority had always been assigned its current responsibilities.

Net assets (liabilities) as previously reported at March 31, 2000	$ 18,844
Transfer to the Alberta Science and Research Authority	830
Net assets (liabilities), as restated at April 1, 2000	$ 19,674

Note 4 Cash
(In thousands)

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest earned by the Alberta Research Council's CCITF account is credited to the general revenues of the Province of Alberta and is not reported in these financial statements.

Interest of $752 (2001 - $702) earned on the cash balance of the Alberta Science and Research Authority's remaining CCITF accounts has been credited to the account, and is reported in these financial statements.

Note 5 Marketable Securities
(In thousands)

As at March 31, 2002, the Alberta Science and Research Authority had marketable securities of $151 (2001 - $177). The market value of the marketable securities was $280 (2001 – $358). The net realizable value of the investment in shares of a private company approximates cost.

Note 6 Advances
(In thousands)

In 2002, the Alberta Science and Research Authority provided payments on some awards prior to all eligibility criteria being met. These advances totaled $3,900 (2001 - nil). Under the terms of the grant contracts, if annual eligibility criteria are not met, the Authority will recover the advances.

Note 7 Accounts Receivable
(In thousands)

	2002			2001
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 8,170	$ 226	$ 7,944	$ 10,473
Federal Government	1,366	-	1,366	1,308
Alberta Government Departments and Agencies	6,264	-	6,264	11,917
	$ 15,800	$ 226	$ 15,574	$ 23,698

Accounts receivable are unsecured and non-interest bearing.

Note 8 Long-Term Investments
(In thousands)

	2002	2001
Investment in shares of public companies	$ 951	$ -
Investment in shares of private companies	429	250
	1,380	250
Provision for impairment in value	(951)	-
	$ 429	$ 250

The net realizable value of the investments in shares of a private company approximates carrying value.

Note 9 Capital Assets
(In thousands)

	Estimated Useful Life	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	Indefinite	$ 566	$ -	$ 566	$ 566
Building	30 years	2,106	240	1,866	1,933
Equipment [1]	3-25 years	36,533	27,843	8,690	8,609
Computer Hardware/Software	3-5 years	4,120	3,965	155	244
Other	25 years	10,561	3,363	7,198	7,818
		$ 53,886	$ 35,411	$ 18,475	$ 19,170

[1] Equipment also includes furniture and fixtures.

Note 10 Deferred Contributions
(In thousands)

Deferred Contributions $896 (2001- $756) represents unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

	2002	2001
Opening Balance	$ 756	$ -
Contributions received during the year:		
Alberta Agricultural Research Institute Development Programs	89	756
iCORE Inc. Industrial Chair Establishment Grant Program	100	-
	945	756
Contributions used during the year:		
Alberta Agricultural Research Institute Development Programs	(49)	-
Closing Balance	$ 896	$ 756

Note 11 Long Term Debt

(In thousands)

	2002	2001
7.25% mortgage, payable in monthly instalments of $41 including interest, due October 1, 2002.	$ 1,920	$ 2,262
Bank term loan, at prime, payable in monthly instalments of $4 plus interest, due October 12, 2002.	30	84
	1,950	2,346
Less current portion	395	390
	$ 1,555	$ 1,956

A demand debenture with a fixed charge over land, building and equipment with a net book value of $3,339 (2001 – $3,551), a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage and term loan.

The following estimated principal repayments during the next five years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments
2003	$ 395
2004	392
2005	422
2006	454
2007	287
	$ 1,950

Note 12 Accumulated Provision for Future Project Abandonment

(In thousands)

Under joint participation agreements, the Alberta Science and Research Authority will incur certain costs when wells and experimental projects are abandoned. Management's estimate of costs for future abandonment is $1,467 (2001 – $1,469).

Note 13 Commitments
(In thousands)

a) Grants

As at March 31, 2002 the Alberta Science and Research Authority had grant commitments of $69,850 (2001 – $81,425).

b) Leases

The Alberta Science and Research Authority leases certain equipment under operating leases that expire on various dates to 2006. The aggregate amount payable for the unexpired terms of these leases are as follows:

Year	Amount
2003	$ 117
2004	75
2005	46
2006	25
	$ 263

Note 14 Warrants and Options
(In thousands)

As part of the consideration for granting various licenses, the Alberta Research Council Inc. has received a number of options and warrants to acquire common shares of public companies. The following options and warrants have been recorded at nominal value:

	2002		2001	
	Exercise Price	Market Value [1]	Exercise Price	Market Value [1]
Options which expire in 2002	$ -	$ -	$ 106	$ 146
Options and warrants which expire in 2003	510	218	510	263
Warrants which expire in 2004	951	300	-	-
	$ 1,461	$ 518	$ 616	$ 409

[1] Market value represents the market value of shares which would be acquired upon exercise of options and warrants.

These stock options and warrants are subject to market risk. As a result, the value of these financial instruments will fluctuate as a result of changes in the market price.

Note 15 Contingencies
(In thousands)

At March 31, 2002, the Alberta Science and Research Authority is a defendant in three legal claims (2001 – two legal claims). All of these claims have specified amounts totalling $52,633 (2001 – $6,279). The resulting loss, if any, for these claims cannot be determined.

Note 16 Defined Benefit Plans
(In thousands)

The Alberta Science and Research Authority participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Alberta Science and Research Authority also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,712 for the year ending March 31, 2002 (2001 – $1,598).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338 (2000 - $170,858) and the Public Service Pension Plan reported a surplus of $320,487 (2000 - $635,084). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399 (2000 - surplus $180).

The Alberta Science and Research Authority also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646 (2001 - $12,710) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $2,656 (2001 - $4,583). The expense for these two plans is limited to employer's annual contributions for the year.

Note 17 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 18 Approval of Financial Statements

These financial statements were reviewed by the Audit Committee and approved by the Alberta Science and Research Authority Board.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 1

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
OBJECT			
Salaries, Wages and Employee Benefits	$ 40,975	$ 39,876	$ 39,224
Supplies and Services	29,032	27,259	25,891
Grants	66,547	61,253	74,802
Financial Transactions and Other	-	1,211	20
Amortization of Capital Assets	3,066	2,835	2,951
Total EXPENSES	$ 139,620	$ 132,434	$ 142,888

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 2

(In thousands)

	2002				
	Estimates	Adjustments	Budget	Authorized Supplementary	Authorized Budget
REVENUES					
Internal Government Transfers					
Transfer from Department - General Revenue Fund	$ 48,733	$ -	$ 48,733	$ -	$ 48,733
Transfer from Department - Lottery Fund	40,838	-	40,838	-	40,838
Transfer from Other Ministries	-	-	-	-	-
Transfers from Government of Canada	1,125	-	1,125	-	1,125
Investment Income	390	-	390	-	390
Other Revenue					
Commercial Revenue	35,884	-	35,884	-	35,884
Contracts with Other Ministries	6,812	-	6,812	-	6,812
Technology and Production Sales	907	-	907	-	907
Other	610	-	610	-	610
Total REVENUES	135,299	-	135,299	-	135,299
EXPENSES					
Program Expenses					
Operations and Policy Research	600	-	600	-	600
Research Investments Program	25,000	-	25,000	-	25,000
Strategic Research Initiatives	10,897	-	10,897	-	10,897
Research Excellence Envelope	3,500	-	3,500	-	3,500
iCORE Inc.	10,000	-	10,000	-	10,000
Technology Commercialization Initiatives	2,350	-	2,350	-	2,350
Alberta Research Council Inc.	68,023	-	68,023	-	68,023
Alberta Forestry Research Institute	1,450	-	1,450	-	1,450
Alberta Agricultural Research Institute	8,900	-	8,900	-	8,900
Alberta Energy Research Institute	8,900	-	8,900	-	8,900
Total Program Expenses	139,620	-	139,620	-	139,620
Other Expenses					
Valuation Adjustment - Provision for Vacation Pay	-	-	-	-	-
Total Other Expenses	-	-	-	-	-
Total EXPENSES	139,620	-	139,620	-	139,620
NET OPERATING RESULTS	$ (4,321)	$ -	$ (4,321)	$ -	$ (4,321)
CAPITAL INVESTMENT	$ 3,881	$ -	$ 3,881	$ -	$ 3,881

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES - DIRECTLY INCURRED AND CAPITAL INVESTMENT TO AUTHORIZED BUDGET
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 3

(In thousands)

	2002 Authorized Budget	2002 Actual Expense	Increase / (Decrease)
REVENUES			
Internal Government Transfers			
Transfer from Department - General Revenue Fund	$ 48,733	$ 45,324	$ (3,409)
Transfer from Department - Lottery Fund	40,838	40,838	-
Transfer from Other Ministries	-	-	-
Transfers from Government of Canada	1,125	2,386	1,261
Investment Income	390	752	362
Other Revenue			
Commercial Revenue	35,884	34,472	(1,412)
Contracts with Other Ministries	6,812	2,684	(4,128)
Technology and Production Sales	907	1,099	192
Other	610	3,066	2,456
Total REVENUES	135,299	130,621	(4,678)
EXPENSES			
Program Expenses			
Operations and Policy Research	600	545	(55)
Research Investments Program	25,000	21,462	(3,538)
Strategic Research Initiatives	10,897	13,856	2,959
Research Excellence Envelope	3,500	3,500	-
iCORE Inc.	10,000	5,845	(4,155)
Technology Commercialization Initiatives	2,350	2,277	(73)
Alberta Research Council Inc.	68,023	64,240	(3,783)
Alberta Forestry Research Institute	1,450	2,012	562
Alberta Agricultural Research Institute	8,900	9,732	832
Alberta Energy Research Institute	8,900	8,963	63
Total Program Expenses	139,620	132,432	(7,188)
Other Expenses			
Valuation Adjustment - Provision for Vacation Pay	-	2	2
Total Other Expenses	-	2	2
Total EXPENSES	139,620	132,434	(7,186)
NET OPERATING RESULTS	$ (4,321)	$ (1,813)	$ 2,508
CAPITAL INVESTMENT	$ 3,881	$ 2,188	$ (1,693)

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
CONSOLIDATION ADJUSTMENTS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 4

(In thousands)

	Alberta Science and Research Authority	Alberta Research Council Inc.	iCORE Inc.	Consolidation Adjustments	Consolidated Actual
REVENUES					
Internal Government Transfers					
Transfer from Department - General Revenue Fund	$ 45,324	$ -	$ -	$ -	$ 45,324
Transfer from Department - Lottery Fund	40,838	-	-	-	40,838
Transfer from Alberta Science and Research Authority	-	24,675	9,615	(34,290)	-
Transfers from Government of Canada	105	2,281	-	-	2,386
Investment Income	607	-	145	-	752
Other Revenue					
Commercial Revenue	583	33,889	-	-	34,472
Contracts with Other Ministries	-	2,684	-	-	2,684
Contracts with Own Ministry	-	4,858	-	(4,858)	-
Technology and Production Sales	1,099	-	-	-	1,099
Other	1,682	84	-	-	3,066
Total REVENUES	90,238	69,771	9,760	(39,148)	130,621
EXPENSES					
Program Expenses					
Operations and Policy Research	545	-	-	-	545
Research Investments Program	21,462	-	-	-	21,462
Strategic Research Initiatives	13,856	-	-	-	13,856
Research Excellence Envelope	3,500	-	-	-	3,500
iCORE Inc	9,615	-	5,860	(9,630)	5,845
Technology Commercialization Initiatives	2,277	-	-	-	2,277
Alberta Research Council Inc	24,675	69,051	-	(29,486)	64,240
Alberta Forestry Research Institute	2,012	-	-	-	2,012
Alberta Agricultural Research Institute	9,732	-	-	-	9,732
Alberta Energy Research Institute	8,963	-	-	-	8,963
Total Program Expenses	96,637	69,051	5,860	(39,116)	132,432
Other Expenses					
Valuation Adjustment - Provision for Vacation Pay	2	-	-	-	2
Total Other Expenses	2	-	-	-	2
Total EXPENSES	96,639	69,051	5,860	(39,116)	132,434
NET OPERATING RESULTS	$ (6,401)	$ 720	$ 3,900	$ (32)	$ (1,813)
CAPITAL INVESTMENT	$ -	$ 2,188	$ -	$ -	$ 2,188

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
SALARY, HONORARIA AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 5

	2002				2001
	Salary [1]	Honoraria [2]	Benefits & Allowances [3]	Total	Total
Chair of Alberta Science and Research Authority	$ -	$ 29,302	$ -	$ 29,302	$ 34,301
Co-Chairs of Alberta Agricultural Research Institute	11,250	54,657	161	66,068	17,772
Co-Chairs of Alberta Energy Research Institute	-	10,765	-	10,765	4,096
Board Members [4]	-	65,690	-	65,690	36,368

NOTES:

[1] A Member of the Legislative Assembly (M.L.A.) served as Co-Chair of the Alberta Agricultural Research Institute up to December 2001 and received a monthly salary.

[2] The Chair of the Alberta Science and Research Authority, the Co-Chairs of the Alberta Agricultural Research Institute, the Co-Chairs of the Alberta Energy Research Institute and all other Board Members who are not employees of the Government and not M.L.A.'s may be paid remuneration in the form of honoraria.

[3] The Alberta Science and Research Authority's share of the benefit for long term disability insurance on salary paid.

[4] Included are Board Members of the Alberta Science and Research Authority, and Board Members of the Alberta Science and Research Authority's two unincorporated boards: the Alberta Agricultural Research Institute and the Alberta Energy Research Institute.

[5] The salary, honoraria and benefits disclosure for the Alberta Research Council Inc. and iCORE Inc. are reported separately in their respective financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 6

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Alberta Science and Research

The Alberta Science and Research Authority and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Alberta Science and Research Authority had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
REVENUES				
Grants from the Department of Innovation and Science	$ 86,162	$ 98,866	$ -	$ -
Grants to the Alberta Science and Research Authority from:				
Alberta Agricultural Research Institute	-	2,310	-	-
Alberta Oil Sands Technology and Research Authority	-	379	-	-
Contracts with Other Ministries	-	-	2,684	3,391
	$ 86,162	$ 101,555	$ 2,684	$ 3,391
EXPENSES - DIRECTLY INCURRED				
Grant to Alberta Agriculture, Food and Rural Development	$ -	$ -	$ 910	$ 140
Charges from the Department of Infrastructure	-	-	30	34
Charges from the Alberta Corporate Services Centre	-	-	2	-
	$ -	$ -	$ 942	$ 174
RECEIVABLE FROM THE DEPARTMENT OF INNOVATION AND SCIENCE	$ 25	$ 9,751	$ -	$ -

The Alberta Science and Research Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
EXPENSES - INCURRED BY OTHERS				
Administrative support by the Department of Innovation and Science	$ 4,588	$ 4,090	$ -	$ -
Accommodation from the Department of Infrastructure	-	-	11,543	12,372
Legal services from the Department of Justice	-	-	16	9
	$ 4,588	$ 4,090	$ 11,559	$ 12,381

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 7

(In thousands)

	2002						2001
		Expenses Incurred by Others			Valuation Adjustment		
	Expenses [1]	Accommodation Costs [2]	Legal Costs [3]	Administrative Costs [4]	Vacation Pay [5]	Total	Total
Program							
Operations and Policy Research	$ 545	$ 52	$ 16	$ 646	$ 2	$ 1,261	$ 1,151
Research Investments Program	21,462	-	-	397	-	21,859	22,963
Strategic Research Initiatives	13,856	-	-	256	-	14,112	22,159
Research Excellence Envelope	3,500	-	-	65	-	3,565	3,567
iCORE Inc.	5,845	27	-	-	-	5,872	10,072
Technology Commercialization Initiatives	2,277	-	-	1,389	-	3,666	4,383
Alberta Research Council Inc.	64,240	11,464	-	-	-	75,704	74,747
Alberta Forestry Research Institute	2,012	-	-	157	-	2,169	2,333
Alberta Agricultural Research Institute	9,732	-	-	731	-	10,463	1,913
Alberta Energy Research Institute	8,963	-	-	947	-	9,910	7,489
Grant to Alberta Agricultural Research Institute	-	-	-	-	-	-	8,582
	$ 132,432	$ 11,543	$ 16	$ 4,588	$ 2	$ 148,581	$ 159,359

[1] Expenses - Directly Incurred as per the Consolidated Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accommodation provided by the Department of Infrastructure.

[3] Costs shown for Legal Services provided by the Department of Justice.

[4] Costs shown for Administrative Support provided by the Department of Innovation and Science.

[5] Vacation Pay as per the Consolidated Statement of Operations.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

Auditors' Report

Consolidated Balance Sheet

Consolidated Statement of Revenue and Expense and Operating Equity

Consolidated Statement of Cash Flows

Consolidated Notes to Financial Statements

Consolidated Schedule of Allocated Costs

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Board of Directors of the Alberta Research Council Inc.

I have audited the consolidated balance sheet of the Alberta Research Council Inc. as at March 31, 2002, and the consolidated statements of revenue and expense and operating equity and cash flows for the year then ended. These financial statements are the responsibility of the Research Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Research Council as at March 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
April 26, 2002

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2002

(In thousands)

	2002	2001
ASSETS		
Current:		
Cash (Note 3)	$ 3,626	$ 5,606
Marketable securities – quoted market value $280 (2001 – $358)	151	177
Accounts receivable (Note 4)	11,203	10,891
Accrued income receivable	3,507	2,560
Inventory	499	381
Prepaid expenses	140	228
	19,126	19,843
Long-term:		
Long-term investments (Note 5)	429	250
Property, plant and equipment (Note 6)	18,475	19,170
	$ 38,030	$ 39,263
LIABILITIES AND EQUITY		
Current:		
Accounts payable and accrued liabilities (Note 7)	11,560	11,480
Unearned contract revenue (Note 7)	3,316	4,951
Current portion of long-term debt (Note 8)	395	390
	15,271	16,821
Long-term:		
Long-term debt (Note 8)	1,555	1,956
	16,826	18,777
Equity:		
Operating	21,204	20,486
	$ 38,030	$ 39,263

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors

Marlene Graham Director

Director

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE AND OPERATING EQUITY FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002 Budget (Note 15)	2002 Actual	2001 Actual
REVENUE			
Investment from the Province of Alberta:			
General revenues	$ 24,675	$ 24,675	$ 25,075
Contract revenue:			
Commercial	29,714	31,037	27,150
Alberta government departments and agencies	11,112	9,233	9,997
Royalties, licensing fees and product sales	7,170	4,827	3,593
	72,671	69,772	65,815
EXPENSE			
Salaries, wages and benefits	42,819	40,229	38,979
Professional, technical and labour services	9,220	8,558	7,018
Materials and supplies	7,330	6,998	7,040
Amortization	3,066	2,839	2,952
Computing supplies and services	1,768	2,037	2,276
Travel and hospitality	2,366	1,972	2,188
Other expenses	2,517	1,964	1,880
Legal and patent	1,433	1,356	1,504
Provision for impairment – long-term investments	-	951	-
Maintenance and rental	830	596	623
Royalty expense (Note 7)	-	529	-
Telephone	491	499	480
Insurance	303	374	284
Interest	180	152	178
	72,323	69,054	65,402
NET REVENUE FOR THE YEAR	348	718	413
OPERATING EQUITY AT BEGINNING OF YEAR	20,486	20,486	20,073
OPERATING EQUITY AT END OF YEAR	$ 20,834	$ 21,204	$ 20,486

The accompanying notes are an integral part of these financial statements.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
OPERATING ACTIVITIES:		
Net revenue for the year	$ 718	$ 413
Items not affecting cash:		
Amortization	2,839	2,952
Gain on sale of marketable securities	-	(519)
Net change in non-cash balances (Note 11)	(2,844)	(2,765)
Purchase of marketable securities	(105)	(106)
Proceeds on sale of marketable securities	131	599
Net cash provided by operating activities	739	574
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(2,188)	(2,898)
Proceeds on disposal of property, plant and equipment	44	29
Purchase of long-term investments	(179)	(250)
Net cash used by investing activities	(2,323)	(3,119)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(396)	(364)
Repayment of promissory note	-	(281)
Net cash used in financing activities	(396)	(645)
DECREASE IN CASH	(1,980)	(3,190)
CASH AT BEGINNING OF YEAR	5,606	8,796
CASH AT END OF YEAR	$ 3,626	$ 5,606
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest Paid	$ 152	$ 178

The accompanying notes are an integral part of these financial statements.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002

Note 1 Authority and Purpose

The Alberta Research Council Inc. is incorporated under the Alberta Business Corporations Act (Alberta). The Alberta Research Council Inc. ("Research Council") is a wholly owned subsidiary of the Alberta Science and Research Authority ("Authority"), which is the responsibility of the Ministry of Innovation and Science of the Province of Alberta.

The Authority and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the Income Tax Act.

In partnership with global leaders, the Alberta Research Council advances the economy and well-being of Alberta and Canada by providing technology and innovation to meet current and emerging needs of industry and government.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Research Council and its wholly owned subsidiary, C-FER Technologies (1999) Inc.

The Research Council's wholly owned subsidiary 764330 Alberta Inc. was wound up, effective May 3, 2001. The operations of this subsidiary have continued within the Research Council.

b) Investments in Marketable Securities

Investments in shares of public companies, which are highly liquid, are recorded at the lower of cost and market value.

c) Inventory

Inventory consists primarily of raw materials for use in production and fulfillment of supply contracts and is valued at the lower of average cost and net realizable value.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

d) Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Building	Thirty years
Leasehold improvements	Twenty-five years
Equipment	Three to twenty years
Furniture and fixtures	Five years
Computer equipment and software	Three years

e) Long-term investments

Long-term investments are accounted for on the cost basis. Declines in the value of the investments below cost are recognized when such declines are considered to be other than temporary.

f) Patents and other Intangible Assets

Expenses incurred related to patents owned by the Research Council as a result of research activity are not capitalized due to the uncertain value of benefits which may accrue to the Research Council.

Expenses incurred on the acquisition or development of other intangible assets including intellectual capital are not capitalized as there currently is not an acceptable methodology for measuring the value of future benefits accruing to the Research Council.

g) Revenue Recognition

Provincial investment funds, general revenues, are recognized as revenue in the year approved.

Contract revenue is recognized as costs are incurred, up to the contract maximum and in accordance with contracted cost-sharing ratios. The Research Council makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Royalties and licensing fees are recognized as they accrue in accordance with the relevant agreements and when the amount can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

Revenue from product sales is recognized when products are delivered.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

h) Expenses incurred by others

Services contributed by other entities in support of the Research Council's operations have not been recorded in the financial statements and are disclosed in Schedule 1.

i) Pension

The Research Council participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Note 3 Cash

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates. Interest earned on cash balances is credited to general revenues of the Province of Alberta and is therefore not reflected in these financial statements.

Note 4 Accounts Receivable

(In thousands)

	2002	2001
Commercial	$ 8,491	$ 8,970
Alberta government departments and agencies	2,712	1,921
	$ 11,203	$ 10,891

Accounts receivable are recorded net of $226,000 (2001 – $272,000) of allowance for doubtful accounts.

Note 5 Long-term Investments

(In thousands)

	2002	2001
Investment in shares of public companies	$ 951	$ -
Investments in shares of private companies	429	250
	1,380	250
Provision for impairment in value	(951)	-
	$ 429	$ 250

The net realizable value of the investments in shares of a private company approximates carrying value.

During the year, the Research Council provided $951,000 of services in exchange for shares and warrants (see Note 14) of a public company.

Note 6 Property, plant and equipment

(In thousands)

	2002			2001
	Cost	Accumulated amortization	Net	Net
Land	$ 566	$ -	$ 566	$ 566
Building	2,106	240	1,866	1,933
Leasehold improvements	10,561	3,363	7,198	7,818
Equipment	36,088	27,442	8,646	8,493
Furniture and fixtures	445	401	44	116
Computer equipment and software	4,120	3,965	155	244
	$ 53,886	$ 35,411	$ 18,475	$ 19,170

Note 7 Related Party Transactions

The premises occupied by the Research Council, as well as some office furniture and tenant improvements, have been provided by the Province of Alberta at no cost (see Schedule 1).

Included in accounts payable is $529,000 (2001 – $nil) due to the Authority, its parent. This amount has been recorded as royalty expense in the statement of revenue and expense and operating equity.

Included in unearned contract revenue is $212,000 (2001 – $1,319,000) received from Alberta government departments and agencies.

Note 8 Long-term Debt

	(In thousands)	
	2002	2001
7.25% mortgage, payable in monthly instalments of $40,887 including interest, due October 1, 2002	$ 1,920	$ 2,262
Bank term loan, at prime, payable in monthly instalments of $4,161 plus interest, due October 12, 2002	30	84
	1,950	2,346
Less: Current portion	395	390
	$ 1,555	$ 1,956

A demand debenture with a fixed charge over land, building and equipment with a net book value of $3,339,000 (2001 – $3,551,000), a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage and term loan.

The following estimated principal repayments during the next five years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

	(In thousands)
Year ending March 31, 2003	$ 395
2004	392
2005	422
2006	454
2007	287
	$ 1,950

Note 9 Contingency

During fiscal 2000, the Research Council was made aware of a $2,200,000 claim relating to intellectual property ownership, which was filed by a former employee. Management feels that the claim is without merit, however, the likelihood of loss is not determinable at this time. Any settlement that may occur would be accounted for as a charge against earnings in the year of settlement.

Note 10 Obligation Under Operating Leases

Future minimum lease payments for office equipment and vehicles over the next four years and in total are as follows:

	(In thousands)
Year ending March 31, 2003	$ 117
2004	75
2005	46
2006	25
	$ 263

Note 11 Net Change in Non-Cash Balances

	(In thousands)	
	2002	2001
Accounts receivable	$ (312)	$ (898)
Accrued income receivable	(947)	(1,546)
Inventory	(118)	(92)
Prepaid expenses	88	148
Accounts payable and accrued liabilities	80	313
Unearned contract revenue	(1,635)	(690)
	$ (2,844)	$ (2,765)

Note 12 Pension Plan

The Research Council participates in two multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan, as well as two Defined Contribution Plans. The expense for these pension plans is equivalent to the annual contributions of $1,700,000 for the year ending March 31, 2002 (2001 – $1,593,000).

Note 13 Board of Directors and Senior Executive Salaries and Benefits

	2002			2001
	Salary [1]	Benefits and Allowances [2]	Total	Total
Chairman of the Board	$ 15,534	$ 232	$ 15,766	$ 13,136
Board Members	5,068	-	5,068	5,832
Chief Executive Officer	184,125	44,308	228,433	218,003
Chief Financial Officer	117,962	19,446	137,408	130,835
Vice-President, Life Sciences	136,800	17,902	154,702	147,694
Vice-President, Energy Technologies [3]	112,578	30,059	142,637	118,732
Vice-President, Industrial Processes and Systems	112,117	19,119	131,236	125,110
Vice-President, Forest Technologies	108,369	16,696	125,065	127,758

[1] Salary includes regular pay, bonuses and lump sum payments.

[2] Benefits and allowances includes the employer's share of the cost of pension, Canada Pension Plan, Employment Insurance, dental, major medical, basic life insurance, short and long-term disability, employee health care expense accounts and vacation accrual. It also includes car allowance, payments made in lieu of benefits and membership fees.

[3] Vice President, Energy Technologies position was vacant for 2 months in 2002.

Note 14 Financial Instruments

Financial instruments consist of accounts receivable and accrued income receivable which will result in future cash receipts as well as accounts payable and accrued liabilities and long-term debt which will result in future cash outlays.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Cash, accounts receivable, accrued income receivable, accounts payable and accrued liabilities

The fair values of cash, accounts receivable, accrued income receivable, accounts payable and accrued liabilities approximate the carrying values due to their short-terms to maturity.

Long-term debt

The fair value of long-term debt approximates its carrying value due to the fact that the interest rates approximate the market rate at March 31, 2002.

Note 14 Financial Instruments (cont'd)

Options and warrants

As part of the consideration for granting various licenses, the Research Council has received a number of options and warrants to acquire common shares of public companies. The following options and warrants have been recorded at nominal value:

(In thousands)

	2002		2001	
	Exercise price	Market value[1]	Exercise price	Market value[1]
Options which expire in 2002	$ -	$ -	$ 106	$ 146
Options and warrants which expire in 2003	510	218	510	263
Warrants which expire in 2004	951	300	-	-
	$ 1,461	$ 518	$ 616	$ 409

[1] Market value represents the market value of shares which would be acquired upon exercise of options and warrants.

The Research Council is subject to market risk with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in market prices.

Note 15 Budget

The 2002 budget was approved by the Board of Directors on March 16, 2001.

Note 16 Comparative figures

The comparative figures have been reclassified where necessary to conform with current year's presentation.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS[1] FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002			2001
	Expense[2]	Expenses Incurred by Others Accommodation Costs[3]	Total Expenses	Total Expenses
Total Expense	$ 69,054	$ 11,464	$ 80,518	$ 77,629

(1) If these allocated costs were paid for by the Research Council, the Province's contribution to the Research Council would be increased by $11,464,000 making total revenue for 2002 $81,236,000. Net revenue for 2002 would have remained at $718,000.

(2) Expenses as per Consolidated Statement of Revenue and Expense and Operating Equity.

(3) Accommodation costs, including premises occupied by the Research Council, as well as some office furniture and tenant improvements, have been provided by the Province of Alberta at no cost. The Province's estimated costs to provide this support are as follows:

(In thousands)

	2002	2001
Accommodation cost:		
Building maintenance	$ 5,786	$ 5,276
Grants in lieu of taxes	1,899	2,104
Lease costs	1,840	1,935
Project expenses	427	850
Amortization	1,512	2,062
	$ 11,464	$ 12,227

iCORE INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

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Schedule of Salary and Benefits Disclosure

Schedule of Related Party Transactions

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Board of Directors of iCORE Inc.

I have audited the statement of financial position of iCORE Inc. as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of iCORE Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of iCORE Inc. as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
May 17, 2002

iCORE INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002 Budget	2002 Actual	2001 Actual
REVENUES			
Contribution from Alberta Science and Research Authority	$ 10,000	$ 9,615	$ 9,933
Investment Income	-	145	71
Total REVENUES	10,000	9,760	10,004
EXPENSES- Directly Incurred (Note 2)			
Salaries, wages and employee benefits	600	581	515
Supplies and services	375	375	413
Research Grants	7,750	3,632	7,770
Graduate student grants	1,275	1,272	1,306
Total EXPENSES	10,000	5,860	10,004
NET OPERATING RESULTS	$ -	$ 3,900	$ -

The accompanying notes and schedules are part of these financial statements.

iCORE INC.

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002

(In thousands)

	2002	2001
ASSETS		
Cash (Note 3)	$ 179	$ 43
Restricted cash (Note 3)	100	-
Accounts Receivable (Note 4)	11	50
Advances (Note 5)	3,900	-
	$ 4,190	$ 93
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 189	$ 92
Deferred Contributions (Note 6)	100	-
	289	92
NET ASSETS		
Net Assets, Beginning of Year	1	1
Net Operating Results	3,900	-
Net Assets, End of Year	3,901	1
	$ 4,190	$ 93

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors

Dr. Roger Smith
Chair of the Board
iCORE Inc.

Dr. Peter Flynn
Chair of the iCORE Audit Committee
iCORE Inc.

iCORE INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
OPERATING TRANSACTIONS		
Net Operating Results	$ 3,900	$ -
Decrease in Accounts Receivable	39	16
Increase in Advances	(3,900)	-
Increase in Accounts Payable and Accrued Liabilities	97	21
Increase in Deferred Contributions	100	-
NET CASH PROVIDED BY OPERATING TRANSACTIONS	236	37
INVESTING TRANSACTIONS		
Increase in Restricted Cash	(100)	-
NET CASH PROVIDED BY INVESTING TRANSACTIONS	(100)	-
NET CASH PROVIDED	136	37
CASH, BEGINNING OF YEAR	43	6
CASH, END OF YEAR	$ 179	$ 43

The accompanying notes and schedules are part of these financial statements.

iCORE Inc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2002

Note 1 Authority and Purpose

iCORE Inc. was established as a not-for-profit corporation in accordance with the Alberta Business Corporations Act, Chapter B-9, Revised Statues of Alberta 2000, as amended. iCORE Inc. is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its wholly owned subsidiaries are exempted from the payment of income tax under Section 149 of the Income Tax Act.

The mandate of iCORE Inc. is to attract and grow a critical mass of outstanding researchers in the fields of computer science, electrical and computer engineering, physics, mathematics and other information and communications technology related disciplines. iCORE Inc. invests in the highest caliber research scientists and leaders who work on fundamental and applied problems in information and communications technology. It aims to fund iCORE Chairs at Alberta universities, around which world-class research teams will be developed.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

a) Reporting Entity

The reporting entity is iCORE Inc., which is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its other wholly owned subsidiary, the Alberta Research Council Inc., are part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science. The activities of the Department of Innovation and Science and the consolidated activities of the Alberta Science and Research Authority are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

b) Basis of Financial Reporting (cont'd)

Expenses
Directly Incurred – Directly incurred expenses are those costs iCORE Inc. has primary responsibility and accountability for, as reflected in the Government's budget documents.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others – Services contributed by other entities in support of iCORE Inc.'s operations are disclosed in Schedule 2.

Assets – Financial assets of iCORE Inc. are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities – Liabilities represent all financial claims payable by iCORE Inc. at fiscal year end.

Net Assets – Net assets represent the difference between the value of assets held by iCORE Inc. and its liabilities.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 3 Cash and Restricted Cash
(In thousands)

a) Cash

Cash consists of primarily a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

b) Restricted Cash

Restricted cash $100 (2001- nil) represents unspent contributions that are subject to externally imposed restrictions related to specific research programs.

Note 4 Accounts Receivable

(In thousands)

	2002			2001
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Alberta Government Departments and Agencies	$ 11	$ -	$ 11	$ 50
	$ 11	$ -	$ 11	$ 50

Accounts receivable are unsecured and non-interest bearing.

Note 5 Advances

(In thousands)

iCORE Inc. provides grants to researchers and graduate students in order to attract them to Alberta and develop their research in Alberta. In 2002, iCORE provided payments on some awards prior to all eligibility criteria for recording grant expenses being met. Those advances totaled $3,900 (2001 – nil). Under the terms of the grant contracts, if annual eligibility criteria are not met, iCORE will recover the advances.

Note 6 Deferred Contributions

(In thousands)

Deferred contributions represent unspent resources externally restricted under the Industrial Chair Establishment grant program. Amounts will be recognized as revenue to the extent of expenses incurred under the program during the current period. Changes in the deferred contributions balance are as follows:

	2002	2001
Contributions received during year	$ 100	$ -
Less: Amounts recognized as revenue	-	-
Increase during the year	100	-
Balance at beginning of year	-	-
Balance at end of year	$ 100	$ -

Note 7 Commitments
(In thousands)

iCORE Inc. had research grant commitments as at March 31, 2002 totaling $9,100 (2000-$7,600).

Year	Committed
2003	$ 1,800
2004	1,800
2005	3,850
2006	1,650
Thereafter	-
	$ 9,100

Note 8 Approval of Financial Statements

These financial statements have been reviewed by the iCORE Inc. Audit Committee and approved by the iCORE Inc. Board.

iCORE Inc.

SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 1

	2002			2001
	Salary[1]	Benefits & Allowances[2]	Total	Total
Chair of the Board[3]	$ 29,985	$ -	$ 29,985	$ 39,512
President and Chief Executive Officer[4]	196,649	-	196,649	184,745
Director of Programs	83,923	22,346	106,269	96,677

NOTES:

(1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental death and dismemberment.

(3) The Chair of the Board was seconded part time from the University of Alberta for the period April 1 through June 30, 2001 with the University receiving $14,985, and, for the five months of July through November, 2001, $15,000 in compensation was paid through the University to the Chair.

(4) The salary amount for the President and Chief Executive Officer comprises $82,824 (2001 - $76,397) for consulting services and $113,825 (2001 - $108,348) paid to the University of Calgary for full-time secondment.

iCORE Inc.

SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 2

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in iCORE Inc.

iCORE Inc. had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
REVENUES				
Grants from the Alberta Science and Research Authority	$ 9,615	$ 9,933	$ -	$ -
EXPENSES - DIRECTLY INCURRED				
Payments to the Alberta Research Council Inc.	$ 17	$ 16	$ -	$ -

iCORE Inc. also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(In thousands)

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
EXPENSES - INCURRED BY OTHERS				
Accommodation from the Alberta Research Council Inc.	$ 27	$ 68	$ -	$ -

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

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AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Trustees of the Alberta Heritage Foundation for Medical Research

I have audited the consolidated statement of financial position of the Alberta Heritage Foundation for Medical Research as at March 31, 2002 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
June 19, 2002

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2002

(In thousands)

	2002	2001
ASSETS		
Current		
Cash (Note 3)	$ 9,805	$ 6,135
Restricted cash (Note 3)	-	1,688
Accounts receivable	160	142
Advances and prepaid expenses	106	100
	10,071	8,065
Long Term		
Property, plant and equipment (Note 5)	769	501
Total Assets	$ 10,840	$ 8,566
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	$ 4,269	$ 2,547
Deferred lease inducement	-	3
Deferred contributions (Note 7)	5,654	5,242
	9,923	7,792
Long Term		
Accrued retirement allowance (Note 6)	356	267
Accrued benefit liability (Note 6)	175	36
	531	303
Total Liabilities	10,454	8,095
Net assets (Note 8)	386	471
	$ 10,840	$ 8,566

The accompanying notes are part of these financial statements.

Approved by the Board:

Harley N. Hotchkiss
Chairman

Lou D. Hyndman
Trustee

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
REVENUES		
Transfers from Endowment Fund (Note 4)	$ 55,000	$ 49,000
Health Research Collaboration Program (Note 7)	2,688	2,548
Medical Innovation Program (Note 7)	1,832	1,269
Donations	5	1
Interest	478	444
Recoveries on Technology Commercialization (Note 9)	19	157
	60,022	53,419
EXPENSES		
Grants and awards		
Personnel	35,635	28,277
Training	6,980	6,668
Technology commercialization	2,328	992
Applied health research	1,565	1,253
Other	7,498	10,426
	54,006	47,616
PROGRAM DELIVERY		
HYRS program	58	50
Technology commercialization	115	113
Health technology assessment	257	199
Applied health research programs	945	577
	1,375	939
PROGRAM OPERATIONS		
Peer review	846	711
Human resources	2,396	2,209
Communication and education	412	319
Impact analysis	19	-
	3,673	3,239
ADMINISTRATION		
Office services	574	480
Information services	81	152
Governance and planning	176	206
Amortization of property, plant and equipment	222	182
	1,053	1,020
	60,107	52,814
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	$ (85)	$ 605

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002			2001
	Invested in Property, Plant and Equipment	Unrestricted	Total	Total
Balance at beginning of year	$ 501	$ (30)	$ 471	$ (134)
(Deficiency) excess of revenue over expense	-	(85)	(85)	605
Purchase of property, plant and equipment	517	(517)	-	-
Proceeds from disposal of property, plant and equipment	(1)	1	-	-
Loss on disposal of property, plant and equipment	(26)	26	-	-
Amortization of property, plant and equipment	(222)	222	-	-
BALANCE AT END OF YEAR	$ 769	$ (383)	$ 386	$ 471

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

(In thousands)

	2002	2001
OPERATING ACTIVITIES		
Cash from operations	$ 55,503	$ 49,602
Cash from Medical Innovation Program	132	392
Cash from Health Research Collaboration	4,800	3,800
Cash for grants and awards	(52,358)	(47,187)
Cash for program delivery	(1,375)	(939)
Cash for program operations	(3,417)	(3,082)
Cash for administration	(787)	(642)
Net cash provided from operating activities	2,498	1,944
INVESTING ACTIVITIES		
Cash paid for purchase of property, plant and equipment	(517)	(296)
Proceeds on disposal of property, plant and equipment	1	1
Net cash used in investing activities	(516)	(295)
NET INCREASE IN CASH FOR THE YEAR	1,982	1,649
CASH AT BEGINNING OF YEAR	7,823	6,174
CASH AT END OF YEAR	$ 9,805	$ 7,823
Cash	$ 9,805	6,135
Restricted cash	-	1,688
	$ 9,805	$ 7,823

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Medical Research (the Foundation) operates under the authority of the Alberta Heritage Foundation for Medical Research Act, Chapter A-21, Revised Statutes of Alberta 2000, as amended. The Foundation is exempt from Income Tax under section 149(1)(d.1) of the Income Tax Act.

The Foundation supports and promotes research in Alberta to improve health and thereby the quality of life of Albertans and people throughout the world.

Note 2 Significant Accounting Policies and Reporting Practices

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Basis of Presentation

These consolidated financial statements include the accounts of the Alberta Foundation for Health Research, a wholly owned subsidiary of the Foundation, which operates under The Alberta Companies Act and is a registered charitable organization for income tax purposes. The Alberta Foundation for Health Research activities are directed to promote and support medical and health research.

b) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost less accumulated amortization. Property, plant and equipment, except for leasehold improvements, are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Furniture	10%
Office equipment	20%
Computer equipment	33%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

c) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts included on the consolidated statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash, restricted cash, accounts receivable, advances, accounts payable and accrued liabilities.

Note 2 Significant Accounting Policies and Reporting Practices (cont'd)

d) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Restricted contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Restricted investment income is deferred and recognized to revenue in the period in which the related expenses are incurred.

e) Grants and Awards Expense

Grants and awards approved by the Trustees of the Foundation are recorded as expenses when all conditions of eligibility have been met.

f) Accrued Benefit Liability

Commencing April 1, 2000, the Foundation prospectively applied the new accounting recommendations of the Institute of Chartered Accountants for employee future benefits. The transitional asset is being amortized over the average remaining service period of active employees expected to receive benefits under benefit plans. The cost of pensions and other retirement benefits earned by employees is determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

For purposes of calculating the expected return on plan assets, those assets are valued at fair value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.

g) Accrued Retirement Allowance

Accrued retirement allowance consists of the unfunded liability of retirement allowances.

Note 3 Cash and Restricted Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates.

Restricted cash represents unspent contributions that are subject to externally imposed restrictions related to the Medical Innovation Program. The MIP terminated on March 31, 2002, in accordance with the agreement.

Note 4 Alberta Heritage Foundation for Medical Research Endowment Fund

The Endowment Fund operates pursuant to the Alberta Heritage Foundation for Medical Research Act and consists of an initial endowment of $300 million from the Alberta Heritage Savings Trust Fund together with cumulative earnings thereon, less cumulative transfers to the Foundation.

Transfers to the Foundation are available at the request of the Trustees of the Foundation provided that such transfers do not result in the net assets of the Endowment Fund, valued at cost, being less than the initial endowment.

At March 31, 2002, the net assets of the Endowment Fund valued at cost was approximately $961 million (2001 $1.036 billion) and the market value of the investments was $942 million (2001 $976 million).

Note 5 Property, Plant and Equipment

(In thousands)

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 500	$ 257	$ 243	$ 185
Computer hardware and software	891	626	265	184
Leasehold improvements	197	30	167	3
Property, plant and equipment under construction	94	-	94	129
	$ 1,682	$ 913	$ 769	$ 501

Note 6 Pension Plan

The Foundation's pension plan is a defined benefit plan. An actuarial valuation of the plan which was carried out on March 31, 2002 by the Foundation's actuary, was used to determine the Foundation's pension expense and accrued benefit liability. The following significant actuarial assumptions were employed to determine the pension expense and the accrued benefit obligation:

	2002	2001
Expected long-term rate of return on plan assets	7.50%	7.00%
Discount rate	6.25%	7.00%
Assumed rate of salary escalation	4.50%	6.00%

Information about the Foundation's benefit plan is as follows:

	2002	2001
	(thousands of dollars)	
(a) Pension expense		
Current service cost, net of employee contributions	$ 170	$ 91
Interest cost	124	106
Expected return on plan assets	(127)	(132)
Amortization of transitional asset	(29)	(29)
Defined benefit plan expense	$ 138	$ 36
(b) Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ (1,751)	$ (1,373)
Current service cost	(218)	(136)
Interest cost	(124)	(106)
Actuarial gain (loss)	353	(170)
Benefits paid	29	34
Accrued benefit obligation, end of year	$ (1,711)	$ (1,751)
(c) Plan assets		
Fair value of plan assets, beginning of year	$ 1,679	$ 1,886
Actual return on plan assets	10	(218)
Employee contributions	48	45
Benefits paid	(29)	(34)
Fair value of plan assets, end of year	$ 1,708	$ 1,679
(d) Accrued benefit liability		
Funded status - plan deficit	$ (3)	$ (72)
Unamortized net actuarial loss	284	521
Unamortized net transitional asset	(456)	(485)
Accrued benefit liability	$ (175)	$ (36)

Note 6 Pension Plan (cont'd)

Retirement Allowance

The unfunded liability at March 31, 2002 of $356,000 (2001 $267,000) has been accrued and $89,000 was expensed in 2001/2002. This liability was determined by an independent actuary using the same assumptions that were used to value the pension plan.

Note 7 Deferred Contributions

a) Deferred contributions represent unspent resources externally restricted under the Medical Innovation Program and the Health Research Collaboration Agreement.

The Foundation administered funds for the Medical Innovation Program (MIP) on behalf of the Government of Alberta. The Program funds the early stages of commercial development of medical and health related technologies. The MIP terminated on March 31, 2002, in accordance with the agreement.

The Foundation and Alberta Health have entered into an agreement to facilitate and enhance health research and health technology assessment and their dissemination in the Province of Alberta.

b) Amounts are recognized as revenue to the extent of expenses incurred under these programs during the current period. Changes in the deferred contributions balance are as follows:

	(In thousands)	
	2002	2001
Contributions received during the year		
Transfers from Alberta Health under the Health Research Collaboration Agreement	$ 4,800	$ 3,800
Interest	51	140
Recoveries on Technology Commercialization (Note 9)	81	252
	4,932	4,192
Less amounts recognized as revenue in the current year		
Health Research Collaboration	2,688	2,548
Medical Innovation Program	1,832	1,269
	4,520	3,817
Increase during the year	412	375
Balance at beginning of year	5,242	4,867
Balance at end of year	$ 5,654	$ 5,242
The balance is comprised as follows:		
Medical Innovation Program	$ -	$ 1,700
Health Research collaboration	5,654	3,542
	$ 5,654	$ 5,242

Note 8 Net Assets

Operations include the biomedical and health programs of the Foundation which are funded from the transfers from the Endowment Fund and available cash balances. The Foundation's policy is to retain funds in the Endowment Fund and transfers are made only on an as needed basis.

Note 9 Recoveries on Technology Commercialization

The Foundation has entered into various agreements to fund technology commercialization projects. The projects involved have high scientific merit, but are speculative with both technical and commercial risk. Any recoveries by the Foundation under these agreements will be long term, in some cases at least ten years. In addition to recoveries, some agreements contain a provision for future royalty payments.

Recoveries on Technology Commercialization are recognized as revenue or Deferred Contributions depending on the source of the original funding. The total recoveries were as follows:

	(In thousands)	
	2002	2001
AHFMR Recoveries recognized as Revenue	$ 19	$ 157
MIP Recoveries recognized as Deferred Contributions (Note 7)	81	252
	$ 100	$ 409

Note 10 Salaries and Benefits

	2002			2001
	Salaries [a]	Benefits [b]	Total	Total
Chairman	$ 12,000	$ -	$ 12,000	$ 12,100
Board of Trustees	68,450	2,346	70,796	73,857
President and Chief Executive Officer	237,258	41,045 [c]	278,303	251,457
Vice President, Programs	118,973	22,690 [c]	141,663	116,589
Vice President, Corporate Affairs and Commercialization	104,199	21,573 [c]	125,772	103,976
	$ 540,880	$ 87,654	$ 628,534	$ 557,979

[a] Salaries include regular base pay, overtime, retainers, honoraria, and any other direct cash remuneration.

[b] Benefits include the Foundation's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, vacation payouts, pension, health care, dental coverage, medical benefits, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans and professional memberships.

[c] Contributions for accrued retirement allowance were $53,800 (2001 $22,300). During 2002, the Vice President, Programs and Vice President, Corporate Affairs and Commercialization became eligible for the retirement allowance benefit and were granted service retroactively to April 1, 2000.

Note 11 Commitments

a) Office Premises

The Foundation has entered into a 69 month lease for office premises. This lease expires on September 29, 2006.

b) Total commitments pertain to the following fiscal years:

(In thousands)

	Grants and Awards	Office Premises	Total
2002-2003	$ 30,819	$ 73	$ 30,892
2003-2004	17,849	78	17,927
2004-2005	11,564	78	11,642
2005-2006	6,708	78	6,786
2006-2007	1,312	39	1,351
	$ 68,252	$ 346	$ 68,598

Note 12 Budget

The budget process involves the determination of the cost for the estimated number of investigators sponsored for Foundation awards and meeting standards of excellence which the Foundation could support within the spending guidelines and program objectives laid out by the Board of Trustees of the Foundation. Variance from budget is determined in a large part by the number and quality of actual applications received and deferred or declined awards.

The 2001-2002 budget was approved by the Board of Trustees in March 2001. Following is the Alberta Heritage Foundation for Medical Research budget:

(In thousands)

	Actual	Budget
Revenue	$ 60,022	$ 70,377
Grants and Awards	54,006	62,449
Program Delivery	1,375	2,721
Operations	3,673	4,080
Administration	1,053	1,127
(Deficiency) excess of revenue over expense	$ (85)	$ -

Funds are budgeted and transferred from the Endowment Fund on an as needed basis.

Note 13 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by the Board of Trustees.

ALBERTA FOUNDATION FOR HEALTH RESEARCH

FINANCIAL STATEMENTS

MARCH 31, 2002

Auditor's Report

Statement of Financial Position

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AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Trustees of the Alberta Foundation for Health Research

I have audited the statement of financial position of the Alberta Foundation for Health Research as at March 31, 2002 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
June 19, 2002

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2002

	2002	2001
ASSETS		
Cash (Note 3)	$ 152,141	$ 145,755
LIABILITIES AND NET ASSETS		
Accounts payable	$ 619	$ -
Net assets	151,522	145,755
	$ 152,141	$ 145,755

The accompanying notes are part of these financial statements.

Approved by the Board:

Harley N. Hotchkiss
Director

Matthew W. Spence
Director

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
REVENUE		
Interest	$ 5,875	$ 8,011
Donations	5,345	1,005
	11,220	9,016
EXPENSE		
Professional fees	2,713	55
Meeting expense	1,934	-
Office Supplies	534	-
Promotion & advertising	272	-
	5,453	55
EXCESS OF REVENUE OVER EXPENSE FOR THE YEAR	$ 5,767	$ 8,961

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF CHANGES OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
Balance at beginning of year	$ 145,755	$ 136,794
Excess of revenue over expense	5,767	8,961
BALANCE AT END OF YEAR	$ 151,522	$ 145,755

ALBERTA FOUNDATION FOR HEALTH RESEARCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
OPERATING ACTIVITIES:		
Cash from operations	$ 11,220	$ 9,016
Cash for administration	(4,834)	(55)
NET INCREASE IN CASH FOR THE YEAR	6,386	8,961
CASH AT BEGINNING OF YEAR	145,755	136,794
CASH AT END OF YEAR	$ 152,141	$ 145,755

ALBERTA FOUNDATION FOR HEALTH RESEARCH

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2002

Note 1 Authority and Purpose

The Alberta Foundation for Health Research, a subsidiary of the Alberta Heritage Foundation for Medical Research, operates under The Alberta Companies Act and is a registered charity for income tax purposes. The Foundation was incorporated on November 17, 1994 and commenced operations during 1998. The Foundation's activities are directed to promote and support medical and health research.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts included on the statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.

b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Interest revenue is recognized on an accrual basis.

Note 3 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates.

Note 4 Budget

As the Foundation commenced operations in 1998 and has had limited activity, a budget was not prepared for 2001-2002. When appropriate the Board will determine a budgeting process, given that donations are unpredictable and operating expenses are minimal.

Note 5 Approval of Financial Statements

These financial statements were approved by the Board of Directors.

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

FINANCIAL STATEMENTS

MARCH 31, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

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Notes to the Financial Statements

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Board of Trustees of the Alberta Heritage Foundation for Science and Engineering Research

I have audited the statement of financial position of the Alberta Heritage Foundation for Science and Engineering Research as at March 31, 2002 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that Section 8(2) of the *Alberta Heritage Foundation for Science and Engineering Research Act* states that "The Provincial Treasurer shall not pay money out of the Endowment Fund if in the opinion of the trustees of the Foundation, on consultation with the Provincial Treasurer, the payment would impair the real value of the Endowment Fund over the long term." As the terms "real value" and "over the long term" are not defined in the legislation, I am unable to assess whether transfers from the Endowment Fund were made in compliance with this section of the Act.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
June 14, 2002

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2002

	2002	2001
ASSETS		
Current		
Cash (Note 3)	$ 64,615	$ 35,397
Accounts receivable	3,372	1,875
Prepaid expenses	4,092	2,741
	72,079	40,013
Long Term		
Property, plant and equipment (Note 5)	171,098	32,747
Total Assets	$ 243,177	$ 72,760
LIABILITES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	$ 103,909	$ 48,072
Long Term		
Deferred lease inducement	48,951	-
Total Liabilities	152,860	48,072
Net assets (Note 6)	90,317	24,688
	$ 243,177	$ 72,760

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
REVENUE		
Transfers from Endowment Fund (Note 4)	$ 1,550,000	$ 575,000
Interest	4,423	3,886
	1,554,423	578,886
EXPENSE		
Grants and awards		
Training	275,531	-
	275,531	-
OPERATIONS		
Peer review	220,588	79,533
Human resources	491,621	177,614
Communication and education	118,577	4,572
	830,786	261,719
ADMINISTRATION		
Office services	198,171	57,576
Information services	8,093	15,581
Governance and planning	154,604	216,479
Amortization of property, plant and equipment	21,609	2,843
	382,477	292,479
	1,488,794	554,198
EXCESS OF REVENUE OVER EXPENSE	$ 65,629	$ 24,688

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002

	2002			2001
	Invested in Property, Plant and Equipment	Unrestricted	Total	Total
Balance at beginning of year	$ 32,747	$ (8,059)	$ 24,688	$ -
Excess of revenue over expense	-	65,629	65,629	24,688
Purchase of property, plant and equipment	161,436	(161,436)	-	-
Proceeds from disposal of property, plant and equipment	(1,476)	1,476	-	-
Amortization of property, plant and equipment	(21,609)	21,609	-	-
BALANCE AT END OF YEAR	$ 171,098	$ (80,781)	$ 90,317	$ 24,688

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Cash from operations	$ 1,554,423	$ 578,886
Cash for grants and awards	(275,531)	-
Cash for operations	(794,877)	(255,863)
Cash for administration	(294,837)	(252,036)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	189,178	70,987
INVESTING ACTIVITIES		
Cash paid for purchase of property, plant and equipment	(161,436)	-
Proceeds on disposal of property, plant and equipment	1,476	(35,590)
NET CASH USED FOR INVESTING ACTIVITIES	(159,960)	(35,590)
NET INCREASE IN CASH FOR THE YEAR	29,218	35,397
CASH AT BEGINNING OF YEAR	35,397	-
CASH AT END OF YEAR	$ 64,615	$ 35,397

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2002

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Science and Engineering Research (the Foundation) operates under the authority of the Alberta Heritage Foundation for Science and Engineering Research Act, Chapter A-21, Revised Statutes of Alberta 2000, as amended. The Foundation commenced operations on April 1, 2000 and is exempt from Income Tax under section 149 (1)(d.1) of the Income Tax Act.

The Foundation supports and promotes a balanced long term program of science and engineering research based in Alberta directed to the discovery of new knowledge and application of that knowledge to improve the quality of Alberta's economy, communities and environment.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost less accumulated amortization. Property, plant and equipment are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Furniture	10%
Office equipment	20%
Computer equipment	33%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

b) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash, accounts receivable, accounts payable and accrued liabilities.

c) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Note 2 Significant Accounting Policies and Reporting Practices (cont'd)

d) Grants and Awards Expense

Grants and awards approved by the Trustees of the Foundation are recorded as expenses when the awardee has been notified of the amount of the award and all terms and conditions of eligibility for payment of the award have been met.

e) Lease Inducement

The lease inducement, a cash payment received by the Foundation on the lease for office premises, has been deferred and is accounted for as a reduction of office rental expense on a straight-line basis over the term of the lease.

Note 3 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates.

Note 4 Alberta Heritage Foundation for Science and Engineering Research Endowment Fund

The Endowment Fund operates pursuant to the Alberta Heritage Foundation for Science and Engineering Research Act and consists of an initial endowment of $500 million from the General Revenue Fund of the Province of Alberta together with cumulative earnings thereon, less cumulative transfers to the Foundation.

Transfers to the Foundation are available at the request of the Trustees of the Foundation provided that such transfers do not impair the real value of the Endowment Fund, over the long term.

At March 31, 2002, the net assets of the Endowment Fund valued at cost was approximately $513 million (2001 $524 million) and the market value of the investments was $475 million (2001 $467 million).

Note 5 Property, Plant and Equipment

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 83,841	$ 4,879	$ 78,962	$ 7,568
Computer hardware and software	48,977	14,483	34,494	25,179
Leasehold improvements	62,587	4,945	57,642	-
	$ 195,405	$ 24,307	$ 171,098	$ 32,747

Note 6 Net Assets

Expenses include the science and engineering programs of the Foundation which are funded from the transfers from the Endowment Fund and available cash balances. The Foundation's policy is to retain funds in the Endowment Fund and transfers are made only on an as needed basis.

Note 7 Salaries and Benefits – Trustees and Officers

	2002			2001
	Salaries [a]	Benefits [b]	Total [c]	Total [c]
Chairman	$ 10,750	$ -	$ 10,750	$ 11,850
Board of Trustees	89,000	2,604	91,604	91,056
President	122,500	7,023	129,523	-
	$ 222,250	$ 9,627	$ 231,877	$ 102,906

[a] Salaries include retainers, honoraria, and any other direct cash remuneration.

[b] Benefits include the Foundation's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, vacation payouts, pension, health care, dental coverage, medical benefits, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans and professional memberships.

[c] Salaries and benefits are distributed to various expense categories including committee meetings and fees, salaries and benefits, and governance and planning.

Note 8 Commitments

a) The Foundation has entered into a 60 month lease for office premises. This lease expires October 31, 2006.

b) Total commitments pertain to the following fiscal years:

	Grants and Awards	Office Premises	Total
2002-2003	$ 327,633	$ 39,160	$ 366,793
2003-2004	11,877	39,160	51,037
2004-2005	-	39,160	39,160
2005-2006	-	39,160	39,160
2006-2007	-	22,843	22,843
	$ 339,510	$ 179,483	$ 518,993

Note 9 Budget

The budget process involves the determination of the cost for the estimated number of investigators sponsored for the Foundation's awards and meeting standards of excellence which the Foundation could support within the spending guidelines and program objectives laid out by the Board of Trustees of the Foundation.

The 2001-2002 budget was approved by the Board of Trustees in November, 2001. Following is the Alberta Heritage Foundation for Science and Engineering Research budget:

Funds are budgeted and transferred from the Endowment Fund on an as needed basis.

	Actual	Budget
Revenue	$ 1,554,423	$ 1,800,000
Grants and Awards	275,531	492,033
Program Operation	830,786	854,902
Administration	382,477	437,460
Excess (deficiency) of revenue over expense	$ 65,629	$ 15,605

Note 10 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

Note 11 Approval of Financial Statements

These financial statements were approved by the Board of Trustees.

Alphabetical List of Entities Financial Information in Ministry 2001 – 2002 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Finance
Alberta Municipal Financing Corporation	Finance
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc. Finance	
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[1]	Transportation
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development

[1] Ministry includes only the department so separate department financial statements are not necessary

Entities included in the consolidated government reporting entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Persons with Developmental Disabilities	Community Boards
Calgary Community Board	Community Development
Central Community Board	Community Development
Edmonton Community Board	Community Development
Northeast Community Board	Community Development
Northwest Community Board	Community Development
South Community Board	Community Development
Persons with Developmental Disabilities Foundation[2]	Community Development
Persons with Developmental Disabilities Michener Centre Facility Board	Community Development
Persons with Developmental Disabilities Provincial Board	Community Development
Provincial Judges and Masters in Chambers Reserve Fund	Finance
S C Financial Ltd.	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation, The	Community Development

Entities not included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan — Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan — Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Universities Academic Pension Plan	Finance
Workers' Compensation Board	Human Resources and Employment

[2] Dissolved June 2001

Endnotes

i In the 2001 – 2004 business plan, this initiative was referred to as the information management/information technology (IMIT) initiative. It is now termed the information and communications technology (ICT) initiative.

ii This is the latest available data for provincial level R&D investment.

iii In 2000 – 2001, there were two programs related to government information technology – Office of the Chief Information Officer and Information Management and Technology Services. These two programs have recently been re-organized into Corporate Information Technology Management under Robb Stoddard (Chief Information Officer) and Chief Technology Officer and Network Infrastructure under Grant Chaney (Chief Technology Officer).

iv SCIberMENTOR is a collaborative effort of the Faculties of Engineering at the University of Calgary and the University of Alberta, and the Women's Science Network (AWSN), under the leadership of the NSERC/Petro-Canada Chair for Women in Science and Engineering (Prairie Region). Funding for the program is provided by Innovation and Science and the EnCana Corporation.

v The Core Measures Survey is an annual survey of government employees, the purpose of which is to provide a high level identification of the achievement toward the objectives of the Alberta Government Corporate Human Resource Development Strategy.

vi Information and Communications Technology (ICT) Sector AED definition (NAICS Codes): 3341 Computer & Peripheral Equipment Manufacturing; 3342 Communications Equipment Manufacturing; 3343 Audio & Video Manufacturing; 3344 Semiconductor & Other Electronic Component Manufacturing; 3345 Navigational, Medical & Control Instruments Manufacturing; 5112 Software Publishers; 5132 Pay TV, Specialty TV & Program Distribution; 5133 Telecommunications; 5141 Information Services; 5142 Data Processing Services; 5415 Computer Systems Design & Related Services; 8112 Electronic & Precision Equipment Repair and Maintenance.

vii This data is provided to Innovation and Science by Alberta Economic Development, and is an annual average of the Labour Force Survey, conducted monthly by Statistics Canada.

viii High – speed: SuperNet will offer speeds between 10 – 100 megabits per second for schools, hospitals, libraries and provincial government departments. SuperNet will also allow commercial service providers to offer high-speed Internet services (eg. 1.5 megabits per second) to residents and businesses.

ix The targets were revised by ARC for their 2001/02 – 2004/05 Strategic Plan to better reflect the actual business environment after looking at trends in the numbers.

x Impact on client sales and productivity due to ARC involvement from R&D contract work, ARC out-of-province contract revenue, medium term R&D, consortia, and impact outlined in Economic Benefits from *Eight Alberta Research Council Agricultural Project* by Kurt Klein.

xi New jobs resulting from Economic Impact, 1 job/$200,000 impact with the exception of impact from Kurt Klein study (assumed no new jobs).

[xii] *Commercialization Revenues* — ARC royalties, licensing fees and product sales.

[xiii] *Customer Satisfaction* — Sample size was changed in 2000 – 2001 for more effective business practices.

[xiv] The Science and Technology Week survey was conducted at the beginning of Science and Technology Week (October 12, 2001) and once again at the end of the week (October 21, 2001). For both the pretest and posttest, science teachers were asked to verbally read the survey questions to their class and record the responses on the provided response forms provided in the toolkit. It is important to note that the post-survey sample was smaller than the pre-survey sample. Further, these results are unreliable as they are based on a very small sample of the Alberta K-9 student population. Only eight schools responded to the survey. Each class is considered a response regardless of size. Innovation and Science intends to work to improve the response rate for this survey and will set targets at such time when reliable data is available.

[xv] From October 24, 2001, through until November 2, 2001 a sample size of 1059 persons within Alberta's population were randomly selected and interviewed via telephone. The sample was drawn in proportion to the populations of eleven urban centers and three rural regions within the province. The sample consisted of 50 per cent male and 50 per cent female with respondents ranging from the ages 18 to 65 and older. The survey produced results with a total margin of error of 3 per cent within a 95 per cent level of confidence. The satisfaction scale used in the telephone interviews was a seven point Likert scale with rankings ranging from '*very important*' to '*not at all important*' with a '*refuse, don't know*' option.

[xvi] In the 2001 – 2004 Business Plan, this measure originally listed an unallocated category in the project name column. This annual report expands on this unallocated category to provide more detail and comprehensibility.

[xvii] The threshold used for the alignment calculation is a target value and should be considered as a representation of the effort required by ministries in order to be considered aligned. In 2000 – 01 the threshold was set at 65% to see how well the ministries were aligned with the corporate ITM strategy. However, the Office of the CIO wanted to continually increase the threshold to reflect the constant improvement that is required for the Government to become a model user. As a result, this threshold was changed from 65% to 70%. Even with the increased threshold, 88% of ministries showed alignment as compared to 58% from the previous year.

[xviii] Over 100 individuals representing all departments are involved with one or more of the GAEA project teams (e.g. subject matter experts team, review committee, steering committee). This degree of contribution of manpower is an indicator of the level of support that exists for creating an ongoing Government of Alberta Enterprise Architecture program. Other indicators are demonstrated support in the meetings of the Information Technology Advisory Committee and Chief Information Officer Council and the recruitment of two additional staff in the program office.

[xix] Through the Standards Management Process, a cross government committee will recommend standards and/or common tools for adoption by all departments. Innovation and Science will lead the process, with targets indicating cross-government adoption of standards or common tool sets.

[xxv] Innovation and Science has led the definition and use of a corporate Standards Management Process. Cross-government approval has been established by the Information Technology Advisory Committee and Chief Information Officer Council.

[xxvi] All desktops have active virus scanning as defined in the common software configuration.

[xxvii] At the Government of Alberta perimeter.

[xxviii] Server Optimization encompasses centralizing servers in fewer locations, physically consolidating functions on to fewer machines, consolidating data onto shared storage, and reducing the number of supported server architectures.

[xxix] The technical design and business case for this project were prepared, but the project was deferred pending further development of the ICT Model and funding model.

[xxx]

Year	Margin of Error at 95% Confidence Interval	Innovation and Science Sample size	Type of survey
1999 – 00	+/- 5 %	182	Telephone
2000 – 01	+/- 5 %	171	Telephone
2001 – 02	+/- 8.5 %	77	Telephone and on-line

[xxxi] This new question replaces the former question posed in the 2001 – 2004 Business Plan which assessed the "percentage of employees who agree that they have the skills and knowledge to meet the anticipated requirements of their job over the next three years."

[xxxii] Key performance measure has been changed from "Scientists and Engineers as a Percentage of Labour Force" due to a change in the data collected by Statistics Canada. Starting from January 1999, the occupation classification available from the Labour Force Survey (LFS) is based on the Standard Occupational Classification 1991 (SOC91). SOC91 is fundamentally different from the previous classification system used by the LFS (SOC80) and comparisons of data from each classification are meaningless, at any level of aggregation. The new category "Natural and Applied Sciences and Related Occupations" includes scientists, engineers, technologists and technicians and is based on SOC91.

[xxxiii] Private sector is expected to contribute approximately 56 % of R&D in Canada and is therefore the largest contributor nationally. Source: Statistics Canada – 88-001-XIB ISSN 1209-1278 Total Spending on Research and Development in Canada, 1990 to 2001e, and Provinces, 1990 to 1999.

[xxxiv] Measure used by Alberta Finance in *Measuring Up*. Sponsored research includes funds to support research paid either in the form of a grant or by means of a contract from a source to the institution.